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PENSIONS & November 14, 1988

Investment Age

The newspaper of corporate and institutional investing $5 an issue · $110 a year

New Congress to favor equity

By Joel Chernoff

WASHINGTON -- The new Congress is expected to take a critical look at the leveraging of corporate America and ways to encourage use of equity over debt.

Just how far the incoming administration will go, however, is unclear.

In the benefits area, Congress will focus on health-care issues, ranging from provision of coverage to uncovered workers to cost containment to retiree health issues. And pension actions are expected to be focused narrowly on asset reversions from overfunded pension plans and portability of benefits.

High on the agenda of the 101st Congress will be ways to get corporations away from the restructurings and takeovers that pile tons of debt onto the balance sheet.

Already, Federal Reserve Chairman Alan Greenspan has asked Congress to examine tax incentives that favor equities over debt.

The Treasury Department will be looking at various options that would favor equities, a Treasury official said. One study under way that was mandated by the 1986 Tax Reform Act will look at indexing interest on debt, where only real interest would be deductible. As a trade-off, the Treasury Department might end

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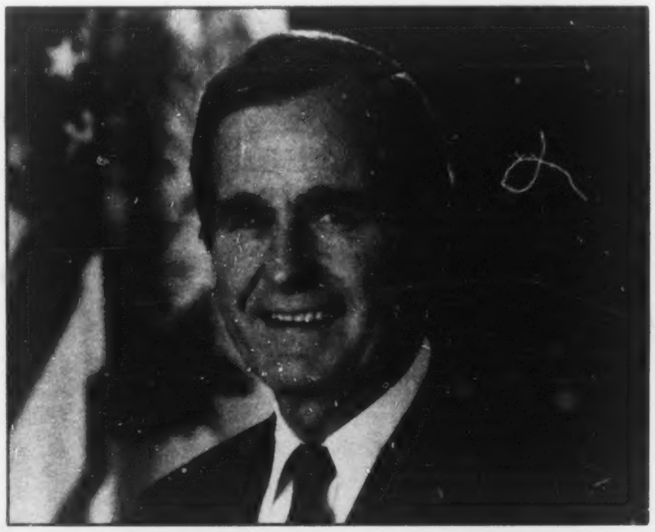
ELECTION '88



President-elect George Bush's administration is expected by some observers to be more sympathetic to employee benefit issues.

SCHILLERSTROM

Bond issues losing favor

Relationships crumbling

By Marlene Givant Star and Marcia Parker

Wariness about corporate America's financial health following a rash of megaleveraged buy-outs and corporate restructurings has caused a dearth of activity in the public corporate bond market and a strain in the relationship between issuers and investors.

Corporate bond issuance is weak, with no sign of a revival except for high-yield paper linked to the recent spate of leveraged buy-outs; industrial issuers are out of the market completely.

Corporate issuance for the year plunged to $1.3 billion as of Nov. 3. During the same period in 1986, more than $4.1 billion of bonds were issued and $2.7 billion of bonds were issued after Black Monday through the end of 1987.

Institutional investors seeing or experiencing the carnage the leveraged buy-out activity has wrought in corporate bond holdings are avoiding corporates and buying more Treasuries or mortgage-backed securities, or are staying in cash equivalents.

Industrial issuers, meanwhile, are looking increasingly to the private place-

Continued on page 41

Foreign banks expand U.S. base

By Marcia Parker and Marlene Givant Star

Exploiting the keen interest in cross-border mergers and acquisitions, foreign merchant bankers are giving U.S. investment banks and boutiques a run for the globally attuned corporate client's money and loyalty.

While data are hard to come by on documenting the growth of the firms, interviews with officials of six leading merchant banks confirmed they are adding to their staffs and participating in many high-profile transactions.

As these institutions become bigger players in the financial services industry, corporations will benefit by having a broader array of investment advisers with which to work. It could put pressure on fees, because fees charged by the foreign merchant banks are traditionally lower than their U.S. counterparts.

A host of foreign merchant bankers led by British institutions such as S.G. Warburg Group PLC are expanding their worldwide corporate finance and advisory services, especially in the United States. Some, like C.J. Lawrence Morgan Grenfell Inc., have acquired or taken stakes in U.S. financial service firms to fill out the full-line services they want to offer here. Others, like Schroders PLC, teamed up with U.S. firms to secure a U.S. presence and boost both partners' corporate finance capabilities outside their home countries.

Many are sharing the underwriting fees with U.S. investment banks — the big ones and some regional firms — by agreeing to co-manage debt and equity issues. Some have shied away from leveraged buy-outs; others, such as Kleinwort Benson Ltd., are active in that area. Most are sticking to a strict agent role; a few are willing to be a principal.

A sampling of foreign merchant banks and their strategies starts on page 29.

Many of the foreign merchant banks have a fine-tuned and well-developed strategy to make their mark in the U.S. private and public markets, while others like Hill Samuel Group PLC only recently have put the finishing touches on their strategic plans and have yet to prove themselves. Most of the institutions are concentrating on servicing clients in their home countries or regions that are scouting for acquisitions in the United States and access to the U.S. capital markets.

While U.S. operations are clearly growing — every firm has more than doubled its U.S. and global personnel — their visions reach beyond U.S. borders. They are building their international offices from Tokyo to Sydney. Indeed, Tokyo merchant banks soon could become a force to be reckoned with.

"In the Eurodollar and Eurosterling markets, competition from

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2 funds seek terminations

Red Cross reversion

By Barry B. Burr

WASHINGTON — The American Red Cross plans to recapture almost $400 million in surplus pension assets in a spinoff/termination. Most of the reversion will be used for a new endowment-type fund, retiree health-care insurance and other employee benefits.

A Pension Benefit Guaranty Corp. spokeswoman believes Red Cross is the first major charitable organization to terminate to seek a reversion. Together with Goodyear Tire & Rubber Co.'s expected reversion, also of $400 million, announced earlier this year, the Red Cross reversion is the biggest by any organization since 1986.

Red Cross hired J.P. Morgan Investment Management Inc., New York, to hedge the $740 million in pension assets to maintain its relative value until the termination and reversion are completed, according to William M. Rose, director-treasury operations, who works in the charity's Alexandria, Va., office.

"It's in place now," he said. J.P. Morgan is using an overlay to hedge so as not to interfere with the fund's existing managers, he added, but declined to elaborate.

MAKE THE DIFFERENCE
Be a Red Cross Volunteer
American Red Cross

The Red Cross, which expects to recoup $400 million in surplus pension assets, is believed to be the first charitable organization to terminate a pension plan to seek a reversion.

J.P. Morgan isn't a manager or custodian for the fund.

"One of the real important parts of the whole reversion is to get a head start in funding retiree medical costs," Mr. Rose said. He said the new retiree fund will enable Red Cross to double the current subsidy it pays to retirees, who pay the balance, or some 90%, of the premiums for supplemental medical insurance.

Red Cross voluntarily paid about $3 million last year in retiree health insurance premiums, said Alan Rodda, vice president-human resources. Only about one-third of the retirees now participate; the rest belong to chapter health plans or individual plans.

The new plan would become mandatory, he said. In addition, it would establish a sliding payment scale to favor longtime employees, paying up to 45% of premiums to retirees with the longest employment service and 5% to those with

Continued on page 41

NCNB fights move

By Fred Williams

DALLAS — The new owner of First RepublicBank Dallas opposes a move by the bank's holding company to terminate two defined benefit plans.

First RepublicBank Corp. owed its creditors about $1.5 billion when it filed, in July, for protection from creditors under Chapter 11 of the Federal Bankruptcy Code.

The two plans, with total assets of $217 million and a surplus of $115 million to $120 million, covered 15,000 employees of InterFirst Bank and RepublicBank Dallas. The two banks merged, then were taken over by NCNB National Bank, Charlotte, N.C., after the Federal Deposit Insurance Corp. declared the Texas bank insolvent.

No one at the banking institutions would comment officially on the termination, although an NCNB official, who would not allow his name to be used, confirmed the intent of First RepublicBank officials to terminate the plans and use the surplus to pay creditors.

NCNB executives do not support terminating the two plans and prefer to merge them. In a letter to bank retirees, Francis B. Kemp, chairman of NCNB Texas National Bank — the new name of First RepublicBank — said NCNB did not agree with the decision to terminate.

First RepublicBank officials probably filed the advance notice to avoid an increase on the excise tax for reversions to 15% from 10%.

Congress also passed a law specifically aimed at dividing the surplus assets equally between NCNB and First RepublicBank Corp. if First RepublicBank terminates the plan.

The Federal Deposit Insurance Corp. supports NCNB's position, according to a spokesman, who asked not to be identified. He said FDIC officials "would hope the plans and assets remain in place" for employees.

Susan Brown, chief financial officer for First RepublicBank Corp., said when the plans are terminated, participants' accrued benefits would be protected through the purchase of annuities.

A letter to plan participants regarding the advance notice of intent to terminate the plans signed by Albert Casey, chairman of First RepublicBank Corp., said holding company executives "have been engaged in many discussions with NCNB Texas in an effort to avoid having to take this step. (The banks) intend to continue these discussions in the hope that the process of termination might be reversed." ■

Execs' new jobs

Bowman firms up California offer

By Steve Hemmerick and Fred Williams

Dewitt F. Bowman, who has been dickering since August on whether to become chief investment manager for the California Public Employees' Retirement System, now says he is "99% certain" he will take the job.

Mr. Bowman isn't alone in making a switch. Martha Binzel Olson has left her position as senior manager of benefit plans investment at Sara Lee Corp., Chicago, to join Motorola Corp., Schaumburg, Ill., as assistant treasurer for investments.

On the investment management side, David J. Pittman, senior vice president and director of institutional marketing at NCNB Texas National Bank, Dallas, has joined Northern Trust Co., Chicago, as Southwest regional manager for master trust custody services, and David Seidel has resigned as president of Management Asset Corp., Westport, Conn.

Mr. Bowman said he won't start directing the $45 billion California state fund until after Feb. 1, the day he is vested for retirement benefits at his current job as chief investment officer for the $3.6 billion City & County of San Francisco Employees Retirement System.

As chief investment manager, Mr. Bowman will sign a three-year contract at a starting salary of around $140,000 a year with options to extend the contract and the potential for salary bonuses based on periodic reviews by system trustees, he said.

In trying to help Mr. Bowman make his decision, Peter Ashe, a trustee for the San Francisco system, said he warned Mr. Bowman the state employees' fund job might not be as pleasant, nor the trustees as supportive, as he is used to in San Francisco.

Mr. Bowman will succeed Greta Marshall, who announced in November 1987 that she was leaving following rumors of friction in her relationship with some of the trustees. Ms. Marshall called the job "draining." Her contract expired in June.

"I am very pleased. I don't think he is a prima donna. He is a team player," said Jake Petrosino, a member of the public employees' system board of administration and board of investment, of Mr. Bowman's selection.

Once on board at the state fund,

Bowman

Pittman

Mr. Bowman said he wants to quickly "learn as much as I can" about how the system operates.

He said it is much too early to answer any questions about what changes he might make at the employees' system.

Recently, the San Francisco system has moved into high-yield bonds, international investments, foreign securities lending and venture capital.

By waiting until February to take on his new assignment, Mr. Bowman said he will be giving the San Francisco system some time to pick a replacement. He said inquiries about the post already have started coming in.

At Motorola, Ms. Olson replaces William Clarkin, who left the company in summer to join RCB Trust Co., Stamford, Conn.

No replacement has been named yet by Sara Lee officials, according to Merle Levitt, senior analyst for benefit finance.

In hiring Mr. Pittman, Northern Trust has lured one of the Southwest's best known master trust marketing executives to head its new operation in that region.

Mr. Pittman will be replaced at NCNB Texas National, formerly First RepublicBank, by Darrell Hendrix, vice president in the NCNB trust division.

Northern is expanding its master trust/custody service base in the Southwest following its purchase of Concorde Bank, Dallas. Concorde, a small, retail-oriented bank with $70 million in assets, will serve as Northern's base of

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Vol. 16, No. 23 — Pensions & Investment Age (ISSN 0273-5466) is published biweekly with a special edition in May, at 740 Rush St., Chicago, Ill. 60611. Second class postage paid at Chicago, Ill. and at additional mailing offices. Postmaster: Send address changes to Pensions & Investment Age, Circulation Dept. 965 E. Jefferson, Detroit, Mich. 48207. Copyright 1988.

Pre-selected venture deal nabbed by 4

By Trudy Ring

Four institutional investors have put money into an innovative venture capital deal featuring a pre-selected portfolio of technology companies.

Investors in the deal, put together by the venture capital firm Julian, Cole & Stein, Los Angeles, and Merrill Lynch Capital Markets' Los Angeles office, include the $12 billion American Information Technologies Corp. pension fund, Chicago; the $1.4 billion Delaware State Employees' Retirement Fund, Dover; The St. Paul Cos., St. Paul, Minn., and Transamerica Occidental Life Insurance Co., Los Angeles. The insurers invested general account assets.

These investors represent about $22 million of the $29 million raised, said James M. Julian, general partner of Julian, Cole & Stein. A family group and a corporation, both of which asked not to be identified, provided the remaining capital. The investors hold convertible preferred stock in the group of technology companies; Merrill Lynch underwrote the stock and introduced the deal to prospective investors, he said.

The financing is innovative because Julian, Cole & Stein already had picked out five companies that would receive the money placed by investors. Usually, institutions investing in venture capital put money into a blind pool that is invested at the general partners' discretion during the next few years.

Some institutions also make direct investments in young companies, but generally do so in one company at a time.

"We liked the combination of companies and the ability to get a diversified package of companies with one investment," said Richard Worthing, vice president-private investments at St. Paul Cos., which put $5 million in the deal.

"It was very efficient, from our point of view," said Gary U. Rolle, chief investment officer of Transamerica Occidental Life, which also invested $5 million. The exact amount of investment by the Ameritech and Delaware pension funds was not available.

The five companies form the venture firm's JCS Strategic Technologies Portfolio. The companies are Advanced Power Technology Inc., Bend, Ore.; Level One Communications Inc., Folsom, Calif.; MicroBeam Inc., Newbury Park, Calif.; and Triconex Corp. and UniStructure Inc., both of Irvine, Calif.

Julian, Cole & Stein previously had invested in the companies through a traditional blind pool limited partnership that it raised in 1984 and 1985. Of that $47 million fund, about $30 million has been placed in those five companies, about $8 million has been placed in other companies and between $8 million and $9 million remain on reserve for future placement, Mr. Julian said.

Julian, Cole & Stein is taking no management fee or carried interest — portion of profits — from the recent convertible preferred

Continued on page 42

OPINION

LBO mania won't last

The leveraged buy-out bubble will burst. It might be tomorrow or it might be three years from now, but, like all speculative bubbles, it will burst.

In all probability, it will be sooner rather than later. There are signs of froth now that suggest the bubble is close to bursting.

So far, leveraged buy-outs, and the junk bonds that are critical to their success, have been good for the economy. Most of the companies taken over through leveraged buy-outs were inefficient, and the successor companies are more efficient.

But now, the mania is reaching into large, efficient companies like RJR Nabisco, which only two years ago went through a corporate weight-loss program.

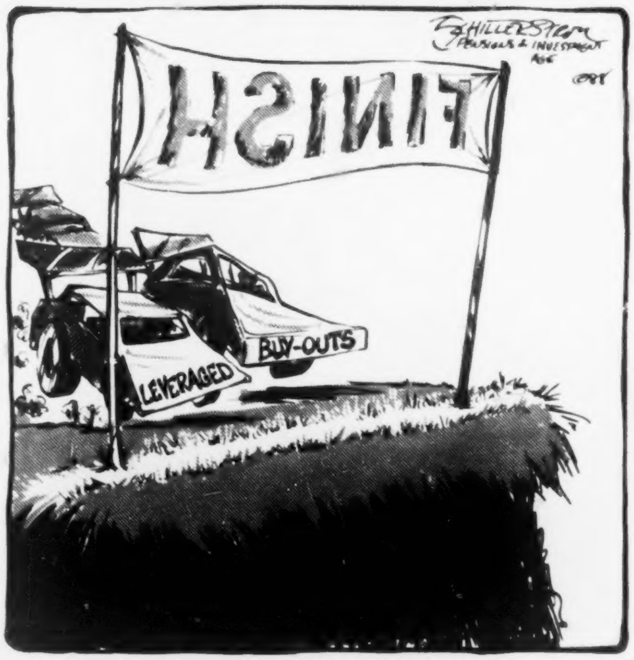
In addition, the prices being paid for some of the target companies are closer to the breakup value estimated by investment bankers than they were a few years ago, so there is less margin for error. If the investment bankers have overestimated the value of the parts, it will be more difficult for the buyers to pay down the debt incurred in the buy-out.

Further, the interest rates being demanded by junk bond buyers to finance the deals are rising, suggesting bond buyers are recognizing the increasing risk in the deals.

Finally, the motives of some of the players are inappropriate. Kohlberg Kravis Roberts & Co. reportedly bid on RJR Nabisco, not because it was an outstanding opportunity, but to protect its reputation as the most aggressive leveraged buy-out proponents.

The great danger is that one or more of the large leveraged buy-outs will fail — as the Revco deal failed — triggering a sharp loss of confidence in junk bonds and dragging down banks, insurance companies and other institutions, and eventually the economy.

Such a failure could be triggered by a significant rise in interest rates, a steep recession, or both. Indeed, it's fair bet that some of the recent leveraged buy-outs will fail if a recession comes within the next 12 to 18 months.



Pension funds and other institutional investors committing equity to these mega-LBO deals, or buying the junk bonds, should examine the deals and the environment with extreme care.

Investors buying into speculative bubbles late in the boom inevitably are the ones most seriously hurt when the bubble bursts, as those who bought oil stocks or Texas real estate in 1980 can attest.

Congress' lack of courage

About three quarters of the federal budget is "uncontrollable," according to the Office of Management and Budget.

The OMB means these expenditures cannot be cut. Social Security, for example, is cited as a budget expenditure that cannot be cut.

What the OMB really ought to say is Congress does not have the political courage to cut programs such as Social Security. It does not even have the courage to slow the rate of growth of most of these programs.

Any entitlement put into place by an act of Congress can be changed or eliminated by a subsequent act of Congress. The cost-of-living increases granted to Social Security recipients, for example, could be reduced or eliminated; benefit increases added by Congress in the past could be repealed.

Defense contracts approved by Congress can be canceled and, in the past, have been. The benefits under the federal retirement system could be brought more into line with private-sector benefits, at least for future federal employees, by a simple act of Congress, if Congress only had the will and the political courage.

The problem with the federal budget is not that the expenditures are "uncontrollable," but that Congress lacks both the will and the courage to cut them.

Congress acts out its power by spending money, not by cutting spending. Its members also ensure their re-election by spending rather than cutting. Thus the statement that three quarters of the federal budget is "uncontrollable" is really an indictment of the Congress.

LETTERS TO THE EDITOR

J.P. Morgan results

To the Editor: We were pleased to be highly ranked in the PIPER fixed-income results published in the Aug. 22 issue, but sorry that a clerical error kept us out of the box scores for the top-ranked funds over $100 million in size.

It appears to us we would have been ranked for both the short and long periods, fifth for one-year results and seventh for 10-year results, if we had been included.

Keith M. Schappert
Managing director
J.P. Morgan Investment Mgmt.
New York

Missed directory

To the Editor: Due to a misunderstanding, HD International Ltd. was omitted from the directory of investment management firms published May 23. The following is our profile data.

HD International Ltd. is at 19-21 Old Bond St., London W1X 3DA, U.K.

The telephone number is 011-44-1-975-8700.

Assets under management as of June 30 totaled $188 million for four clients, two of which are U.S. tax-exempt funds.

The minimum account size is $10 million, or less with significant cash flow.

HD International is an international equity specialist that combines an active asset and country allocation process with a disciplined stock selection approach focusing on the broad category of growth stocks.

Overlaid on the stock selection process is a value discipline that prohibits paying an unreasonable premium for a stock.

Quantitative methodologies are used during all aspects of the stock screening, selection and sell processes.

Clients include La Caisse de Depot et Placement du Quebec, Power Financial Corp., Frank Russell Trust Co. and Pergamon Holdings in the United Kingdom.

James Heyworth-Dunne, managing director, is chief investment officer.

Elliott M. Gartner and Francine R. Elster are responsible for marketing and client servicing from the New York-based subsidiary, HD International Inc., at 126 E. 56th St., New York, N.Y. 10022. The telephone number is (212) 753-0600.

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Published every other week by Crain Communications, Inc. Offices at 220 E. 42nd St., New York 10017 (editorial: 212/210-0255, advertising: 210-0114); 740 N. Rush St., Chicago 60611 (312/649-5200); 814 National Press Bldg., Washington, D.C. 20045 (202/662-7200); 6404 Wilshire Blvd., Los Angeles 90048 (213/651-3710); 1 NorthPark East, Suite 114, 8950 Central Expwy., Dallas 75231 (214/692-9848).

$5 an issue, $110 a year in the U.S. Add $37 per year for air delivery to Europe and the Middle East. Add $20 per year for surface mail to all other foreign countries. Add $50 per year for air delivery in U.S. and $57 for air delivery in Canada.

WILLIAM STRONG, vp-circulation, JOHN HUFFMAN, fulfillment director. Four weeks notice required for change of address. Address all subscription correspondence to Pensions & Investment Age, 965 Jefferson, Detroit, Mich. 48207. Telex number: 25-4248; Cable address: CRAINCOM. Microfilm copies are available from University Microfilms, 300 N. Zeeb Rd., Ann Arbor, Mich. 48021. Microfiche copies are available from Bell & Howell, Micro Photo Division, Old Mansfield Rd., Wooster, Oh. 44691.

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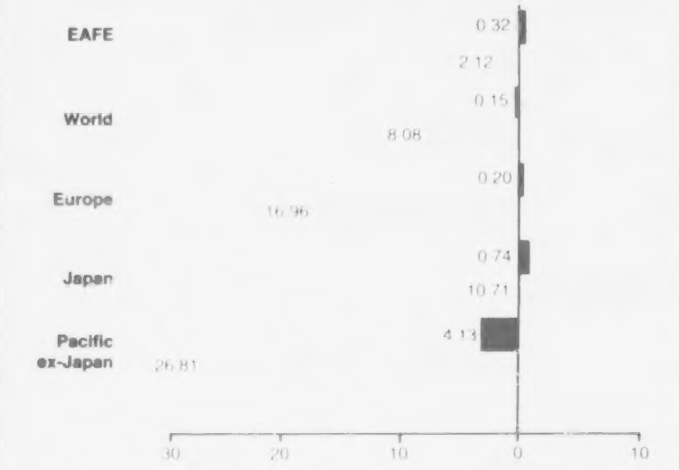
STATISTICALLY SPEAKING

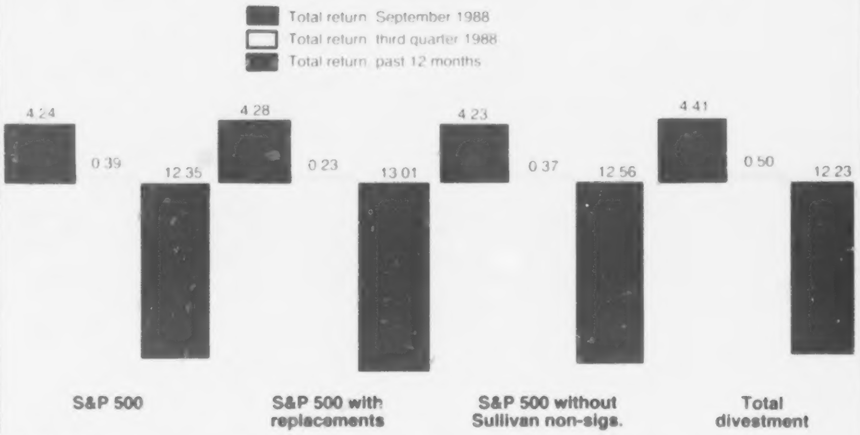
Morgan Stanley Capital International worldwide indexes



Source: Morgan Stanley Capital International, New York
Indexes are in U.S. dollar terms without dividends reinvested.

▇ Third quarter 1988
☐ Sept. 1987-Sept. 1988

South Africa Free Index

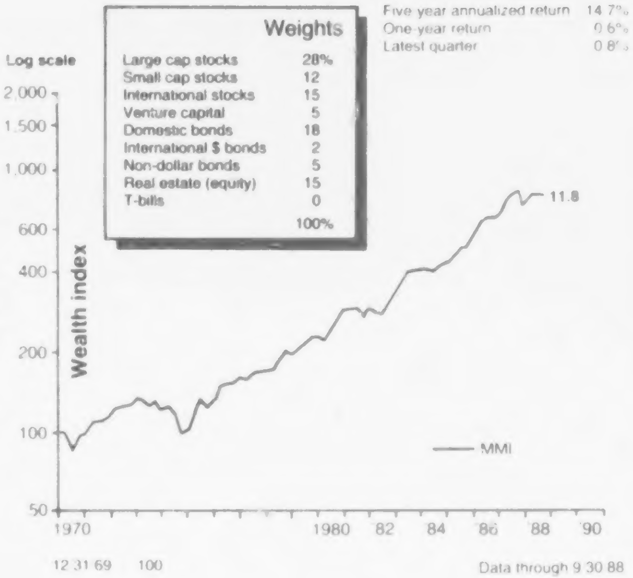


S&P 500 with replacements: replaces a South Africa-related company with next largest company in the industry. **S&P 500 without Sullivan non-signatories:** excludes 6 companies, no replacements. **Total divestment:** eliminates all companies with South Africa involvement, no replacements.

Source: Wilshire Associates, Santa Monica, Calif.

Multiple Markets Index

The Multiple Markets Index is a benchmark for total portfolio returns. It is composed of eight asset classes used by retirement plan executives; it is calibrated to reflect the same degree of risk of the typical pension portfolio; it uses passive fixed policy weights; and it represents the individual asset classes by the broadest and most complete market return data available.



Weights	
Large cap stocks	28%
Small cap stocks	12
International stocks	15
Venture capital	5
Domestic bonds	18
International $ bonds	2
Non-dollar bonds	5
Real estate (equity)	15
T-bills	0
	100%

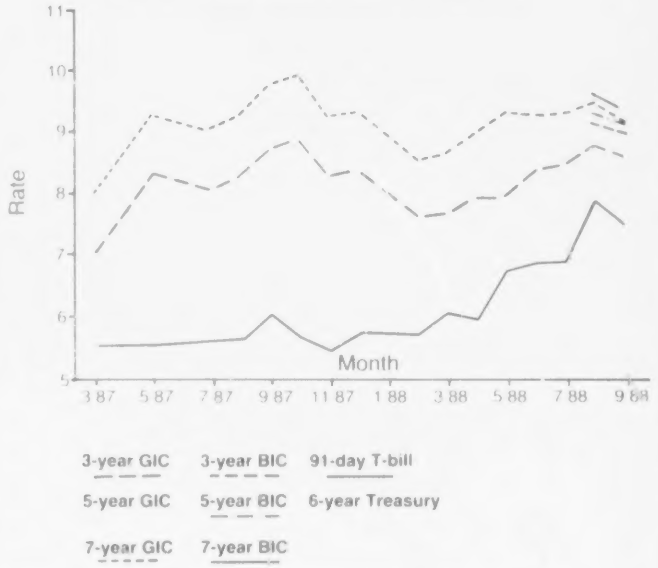
Five year annualized return	14.7%
One-year return	0.6%
Latest quarter	0.8%

Data through 9/30/88

Source: First Chicago Investment Advisors, Chicago

Summary of average GIC & BIC data vs. market yields

(Bullet, compound $1 million contract)



Source: William M. Mercer Meidinger Hansen Asset Planning Inc., Dallas

Third quarter 1988 returns

	Russell 3000®	Russell 1000®	Russell 1000® by market capitalization				Russell 2000®
			Large	Medium/large	Medium	Medium/small	
Technology	8.84%	9.07%	6.86%	11.28%	12.63%	12.47%	6.68%
Health care	2.76	3.49	6.89	0.52	1.58	6.03	3.17
Consumer discretionary	2.84	2.97	4.84	4.12	0.34	2.36	2.01
Consumer staples	8.67	8.79	9.36	10.49	4.45	3.48	5.57
Integrated oils	0.30	0.28	0.56	10.43	1.93	5.91	15.62
Other energy	0.44	-0.24	NA	0.17	-1.15	1.40	-1.82
Materials and processing	4.99	5.44	-7.87	-7.76	3.64	-3.30	1.79
Producer durables	0.49	0.64	13.71	-1.37	-6.68	6.22	0.68
Auto and transportation	2.03	2.43	3.88	-1.27	3.31	0.50	2.93
Financial services	4.44	4.89	7.46	7.43	3.34	2.75	-0.84
Utilities	3.06	3.13	2.36	5.77	1.80	2.41	1.05
Total	0.34	0.47	0.94	1.38	-1.03	-0.70	-0.92

Source: Frank Russell Co., Tacoma, Wash.

Tight GIC spreads to remain

By Fred Williams

Rates on insurance company guaranteed investment contracts edged up in the third quarter, but quality spreads over Treasury securities with the same maturities tightened even more.

Spreads fluctuated markedly during the quarter but finished the period below their starting point, according to Peter Bowles, president of Fiduciary Capital Management Inc., Woodbury, Conn., a GIC investment manager.

"For example, the three-year compound GIC spread over Treasuries started at 0.5% in July, narrowed to 0.25%, widened to 0.7%, then ended September at 0.34%," Mr. Bowles said.

"We expect the spreads to continue to narrow during the coming months, ignoring fluctuations in national economic indicators, due to normal seasonal strain on GIC capacity.

"A number of insurance companies have already dropped out of the market for the remainder of 1988. The entry of BIC (bank investment contract) issuers has helped to lessen somewhat the impact of seasonal capacity strain."

Spreads between GICs and Treasury securities were "very, very tight" during the third quarter, said David Rubin, senior director at Chambers, Dunhill, Rubin & Co., a Beverly Hills, Calif., investment banking and GIC brokerage firm. "There were some very disappointed buyers out there."

Mr. Rubin said spreads remained tight because of insufficient investment opportunities by the insurance companies that receive GIC revenue "and because there has been an increased amount of demand and only limited supply" of GICs.

Banks are taking some of the pressure off the insurance companies but have yet to relieve the imbalance between supply and demand. Only about 20 banks are active in the BIC market. Mr. Rubin said his firm recently took the first step into the international market by placing a $15 million BIC with Bayerische Landes Bank, Munich, on behalf of a U.S. client.

He expects GIC rates to increase in 1989 and spreads to widen somewhat as insurance company statutory rates increase to about 9.25% from the current 8.75%. The increase will allow insurance companies to raise the amount of GICs they can write before reaching capacity limits, he said.

The narrowing of spreads of GICs over Treasuries has been occurring for the past several quarters.

John Knight, president of Lamberson Knight Investment Securities, a Short Hills, N.J., GIC brokerage firm, said spreads on representative five-year contracts dropped to as low as 50 basis points in the third quarter and "the three-year people are taking 30 basis points."

Gene Gochenour, president of GIC Inc., a Beaverton, Ore., GIC broker, expects spreads to stabilize at or near current levels of 40 to 50 basis points for the remainder of the year. He said GIC rates also should remain near current levels for the balance of 1988.

Insurance company rate quotations on representative five-year, single-deposit, simple-interest, $1 million GICs as of Sept. 30 and June 30 as provided by Lamberson Knight and GIC Inc. are:

- Allstate Life Insurance Cos., Northbrook, Ill.: Sept. 30, 9%; June 30, 8.61%.
- American United Life Insurance Co., Indianapolis: 8.8%; 8.77%.
- Banker's Life Assurance Co., Des Moines, Iowa: 8.67%; 8.44%.
- Canada Life Assurance Co., Toronto: 9.01%; 8.75%.
- CNA Insurance Co., Chicago: 8.6%; 8.7%.
- Confederation Life Insurance Co., Atlanta: 9.25%; 9.13%.
- Connecticut Mutual Life Insurance Co., Hartford: 8.98%; 8.71%.
- Continental Assurance Co., Chicago: 8.59%; 8.59%.
- Crown Life Insurance Co., Toronto: 8.79%; 8.79%.
- Great West Life Assurance Co., Denver: 8.73%; 8.85%.
- Hartford Life Insurance Co., Hartford, Conn.: 9.09%; 8.81%.
- Home Life Insurance Co., New York: 8.78%; 8.7%.
- John Hancock Mutual Life Insurance Co., Boston: 8.81%; 8.62%.
- Life Insurance Co. of Georgia, Atlanta: 9.05%; 8.91% (June 28).
- Life Insurance Co. of Virginia, Richmond: 9.02%; 8.74%.
- Lincoln National Pension Insurance Co., Fort Wayne, Ind.: 8.99%; 8.96% (June 28).
- Massachusetts Mutual Life Insurance Co., Springfield: 8.77%; 8.45%.
- Minnesota Mutual Life Insurance Co., St. Paul: 9.04%; no quote.
- Mutual Benefit Life Insurance Co., Newark, N.J.: 8.95%; 8.7%.
- Mutual of New York, New York: 8.95%; 8.77%.
- New England Mutual Life Insurance Co., Boston: 8.91%; 8.67%.
- New York Life Insurance Co., New York: 8.85%; 8.9%.
- Ohio National Life Insurance Co., Cincinnati: 9.16%; 9%.
- Pacific Mutual Life Insurance Co., Newport Beach, Calif.: 8.13%; 8.33%.
- Pan American Life Insurance Co., New Orleans: 9.09%; 9.04%.
- Penn Mutual Life Insurance Co., Philadelphia: 9.13%; 8.9%.
- Phoenix Mutual Life Insurance Co., Hartford, Conn.: 8.89%; 8.8%.
- Provident Mutual Life Insurance Co., Philadelphia: 8.94%; 8.51%.
- Provident National Assurance Co., Chattanooga, Tenn.: 8.48%; 8.54%.
- SAFECO Corp., Seattle: 9.05%; 8.9%.
- Southwestern Life Insurance Co., Dallas: 9.17%; 9.04%.
- State Mutual of America, Worchester, Mass.: 8.65%; 8.65%.
- Transamerica Life Insurance and Annuity Co., Los Angeles: 8.97%; 8.89%.
- Union Central Life Insurance Co., Cincinnati: no quote; 8.38%.

William M. Mercer Meidinger Hansen Asset Planning, Chicago, surveys insurance companies for rate quotations and provided the following summary of various bullet GICs for September:

- Three-year, $1 million, compound: high, 9.05%; low, 7.81%; average, 8.62%.
- Three-year, $1 million, simple: high, 8.94%; low, 7.83%; average, 8.61%.

Continued on page 39

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Consumer stocks take lead

By Trudy Ring

KANSAS CITY, Mo. — Stocks sensitive to consumer spending were the best performers in the equity market's generally poor third quarter, while utility bonds led the fixed-income market in the period, according to the consulting firm DeMarche Associates.

Consumer spending stocks gained 4.8% in the quarter, while the Standard & Poor's 500 stock index declined 0.9%. All stock returns, except where noted, are price only. With dividends, the index had a positive return of 0.3%.

The consumer spending sector includes companies in the food and beverage, tobacco, retail, media, lodging and restaurant industries.

For the first three quarters of 1988, the sector gained 16.1% and the market, 9.9%. For the 12 months ended Sept. 30, the sector declined 13.5%, reflecting the stock market plunge in 1987's fourth quarter. The S&P was down 15.9% for the year.

Stocks responsive to interest rates had the next best gain in the quarter, 2.3%. This group consists primarily of utilities and financial services companies. For the first nine months of 1988, this group gained 16.1%; for the year ended Sept. 30, it declined 8.6%.

Basic industry stocks had the worst return in the quarter, declining 4.8%. They were up 8.1% in the nine-month period and down 18.7% in the 12 months. This sector includes the automotive, building materials, chemicals, metals and transportation industries.

The quarter's 10 best-performing industries were tobacco, up 13.8%; food packaging and processing, up 8.8%; retail sales, up 6.4%; insurance, up 6.4%; beverages, up 5.8%; media, up 4.5%; drugs, up 4.3%; aerospace, up 3.3%; domestic oil, up 2.6%; and rail transportation, up 2.4%.

The worst performers were electronics, down 14.2%; office equipment, down 10.4%; building-forest products, down 10.2%; steel, down 9%; metals and minerals, down 8.8%; general machinery, down 8.5%; consumer durables, down 7.4%; chemicals, down 7.2%; textiles-apparel, down 6.6%; and automotive manufacturing, down 4.9%.

The best-performing individual stocks, and their returns, were **Tektronix Inc.**, up 69.6%; **Kroger Co.**, 58.7%; **Interco Inc.**, 57.3%; **MCI Communications Corp.**, 46.4%; **Alberto-Culver Co.**, 42.5%; **Gould Inc.**, 38.6%; **Polaroid Corp.**, 28.1%; **Zurn Industries Inc.**, 24%; **Emery Air Freight Corp.**, 22.9%; and **Genesco Inc.**, 22.9%.

In the bond market, utility issues led all economic categories with a 2.8% return. The market, as measured by the DeMarche Pension Fund Bond Index of 6,000 issues, returned 2.2%. All bond performance figures are total return.

Utility bonds returned 8.7% in the first three quarters of 1988, while the index returned 7.8%. The sector was up 16.2% in the 12 months ended Sept. 30, while the index returned 13.9%.

U.S. government bonds matched the market's return of 2.2% in the quarter and were up 7.9% for the nine months and 13.8% on the year.

Industrial bonds were up 2.1% in the quarter, 7.7% for the three quarters and 13.5% for the year.

Bonds issued by financial services companies returned 2% in the quarter, 7.4% for the nine months and 12.2% for the year. Yankee and foreign bonds had the quarter's poorest return, 1.9%, and were up 6.8% for the nine months and 13.5% for the year.

DeMarche also categorizes bonds by quality, maturity and coupon payments. As ranked by quality, issues in the BAA sector outperformed others in the quarter, with 2.4%. As ranked by maturity, those with maturities of 20 years or longer had the period's best return, 2.9%.

High-coupon bonds outperformed others in the quarter; those with coupons of 11% or more returned 2.4%. ■

Spread

Continued from page 38

- Five-year, $1 million, compound: high, 9.44%; low, 8.19%; average, 9.01%.
- Five-year, $1 million, simple: high, 9.43%; low, 8.13%; average, 8.99%.
- Seven-year, $1 million, compound: high, 9.94%; low, 8.44%; average, 9.21%.
- Seven-year, $1 million, simple: high, 9.59%; low, 8.29%; average, 9.15%.
- Three-year, $5 million, compound: high, 9.07%; low, 8.09%; average, 8.69%.
- Three-year, $5 million, simple: high, 9.06%; low, 8.24%; average, 8.68%.
- Five-year, $5 million, compound: high, 9.54%; low, 8.59%; average, 9.09%.
- Five-year, $5 million, simple: high, 9.46%; low, 8.63%; average, 9.05%.
- Seven-year, $5 million, compound: high, 9.71%; low, 8.73%; average, 9.3%.
- Seven-year, $5 million, simple: high, 9.64%; low, 8.7%; average, 9.23%.

Dietrich & Associates Inc., a Blue Bell, Pa.-based GIC brokerage firm, provided the following rate spread data between a $1 million, five-year, simple-interest GIC and the average Treasury security of the same maturity for the third quarter of 1988:

- July 1: GIC, 9.1%; Treasury, 8.42%.
- Aug. 1: 9.3%, 8.69%.
- Sept. 1: 9.4%, 8.95%.

Mercer Meidinger Hansen also surveys banks for rate quotations on guaranteed instruments. Quotations for three- and five-year bullet BICs for September are:

- Three-year, $1 million, compound: high, 9.36%; low, 8.71%; average, 9.03%.
- Three-year, $1 million, simple: high, 9.36%; low, 8.5%; average, 8.88%.
- Three-year, $5 million, compound: high, 9.38%; low, 8.71%; average, 9.05%.
- Three-year, $5 million, simple: high, 9.38%; low, 8.5%; average, 8.94%.
- Five-year, $1 million, compound: high, 9.53%; low, 8.71%; average, 9.16%.
- Five-year, $1 million, simple: high, 9.53%; low, 8.5%; average, 9.01%.
- Five-year, $5 million, compound: high, 9.58%; low, 8.71%; average, 9.21%.
- Five-year, $5 million, simple: high, 9.58%; low, 8.5%; average, 9.07%. ■

Contrary to popular opinion, not all bears look alike.

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InvestmentAge

Insurance assets targeted

Managers aim for piece of $1 trillion

By Curtis Vosti

Faced with a flat or declining pension fund market, money managers are battling for market share in the management of assets of small insurance companies, estimated to represent as much as $1 trillion.

The 10 leading money managers who have targeted insurance company assets report they already are handling $30.1 billion.

The market has increased during the past decade, analysts say, as insurers — who used to invest the assets themselves — have become more sensitive to investment performance, and money managers and consultants have stepped up their efforts in this area because of a flattening pension market.

"The (insurance) market practically defies quantification," said Henry Blagden, manager of insurance investment services at the New York office of Brown Brothers Harriman & Co., which manages $1.6 billion for insurance companies.

"It's a niche discovered by more and more managers as they discover the pension field isn't growing as fast," he said.

Dave Kirk, senior vice president for David L. Babson & Co., Cambridge, Mass., said managers also are attracted to insurance companies because insurers tend to be longer-term employers of money managers.

"Investment managers want to be long-term investors, but with the emphasis on quarterly performance, many pension sponsors don't permit them to be," Mr. Kirk said. Babson manages $300 million in insurance company assets.

Most analysts agree an insurer with $1 billion or less in assets is most likely to use the services of a money manager. Those with more than $1 billion, they say, often manage the assets themselves.

"Even companies over $1 billion have holes they have to fill," said Stephen Dillenburg, vice president at Washington Square Capital Inc., Minneapolis, which manages $7.2 billion in insurance company assets.

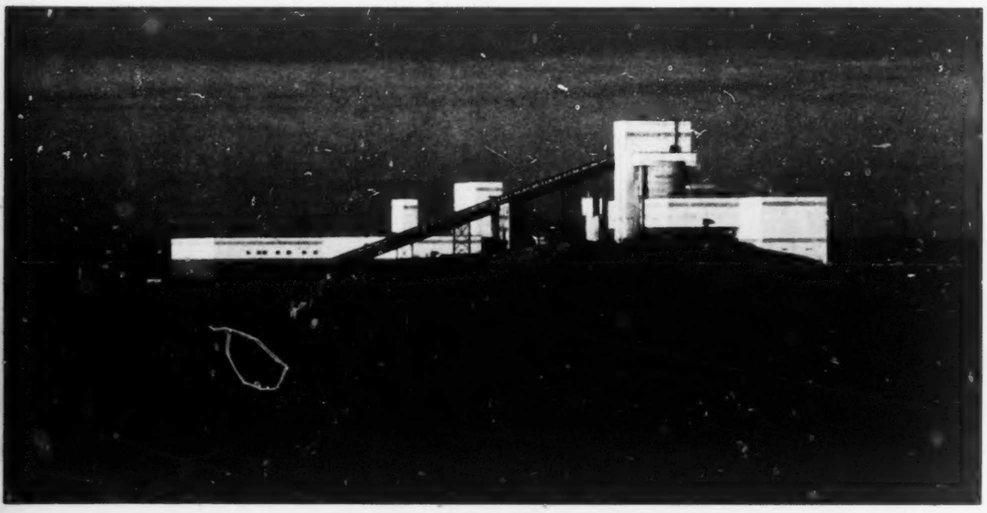
Just how much money from how many insurance companies is available to money managers is debatable.

A 1985-'86 research report by Aetna Financial Services Inc., Hartford, Conn., indicated there were almost 4,800 domestic life and property and casualty insurers with less than $1

Continued on page 45

Leading managers of insurance company assets

	($ billions)
Scudder Insurance Asset	10
Washington Square Advisors	7.2
Stein Rowe & Farnham	3
Asset Allocation Mgmt.	3
Chancellor Capital Mgmt.	2.1
Brown Brothers Harriman	1.6
CIC Asset Mgmt.	1.4
Aetna	1.1
MIMLIC	0.4
David L. Babson & Co.	0.3



INCO Ltd., which operates this mill in Sudbury, Ontario, has proposed a $1 billion recapitalization plan that may force investors to accept a $10 dividend with a poison pill plan.

INCO debate rages

Controversial plan includes poison pill

By Marcia Parker

INCO Ltd. executives are stepping up 11th hour appeals to institutional investors in the United States and Canada, many of whom oppose the Canadian nickel producer's controversial $1 billion recapitalization, $10 dividend and poison pill.

Institutional investors say they don't want to be "bribed and coerced" into voting Dec. 9 for Canada's first poison pill by supporting the recap and dividend.

The institutional vote is key in the outcome of one of the most contentious debates in Canadian business circles. Institutions own about 70% of INCO. About 50% are U.S. institutions, 40% Canadian and 10% foreign institutions.

In recent days, INCO executives, led by Chairman and Chief Executive Officer Donald J. Phillips, have been meeting with institutional investors to lay out the company's arguments in support of the recap and shareholder rights plan.

It is too early to tell how they will vote, but an informal survey of a dozen major U.S. and

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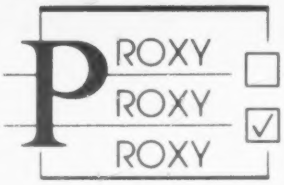
Takeover law topic of proxy season battle

By Marcia Parker



For the first time, activist institutional investors are sponsoring shareholder resolutions for the upcoming proxy season that call on The Boeing Co., Kimberly-Clark Corp., Lockheed Corp. and Ford Motor Co. to opt out of Delaware's takeover law.

In other firsts, Wells Fargo & Co., which is incorporated in Delaware, is being asked to leave and reincorporate in its home state of California, and Dow Chemical Corp. is being asked to put any "golden parachutes" to a shareholder vote.

The 1989 season promises to be another headline-grabber, as institutional investors expand the scope of their corporate governance-oriented campaigns to win shareholder support for resolutions aimed at loosening the near-monopoly Delaware has on incorporation, putting poison pills to a shareholder vote, and instituting confidential voting.

An equally aggressive campaign is planned on social issues such as corporations doing business with South Africa and labor practices in North Ireland (*see related story, page 3*).

The key players again will include the $44 billion California Public Employees' Retirement System, the $15.6 billion State of Wisconsin Investment Board, the $33.6 billion New York City Retirement Systems, the $66 billion Teachers Insurance and Annuity Association — College Retirement Equities Fund and the $23.7 billion California State Teachers Retirement System. Some unions also will be active, including the United Brotherhood of Carpenters and Joiners of America, the United Mine Workers of America, and the Amalgamated Clothing and Textile Workers Union.

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LATE NEWS

Fund shifts $6 billion in-house

SACRAMENTO, Calif. — The $25 billion California State Teachers' Retirement System is moving in-house a $6 billion fixed-income portfolio that has been managed by Mitchell Hutchins Institutional Investors Inc., formerly Manufacturers Hanover Investment Corp., since 1983.

The fund hired Manufacturers Hanover to run the assets after the California Legislature in 1982 ordered the then-$10 billion in California Teachers' assets separated from the then-$17 billion California Public Employees' Retirement System. Manufacturers Hanover was to run the fixed-income assets until the fund could hire sufficient staff to manage the assets.

In July 1987, after New York-based Mitchell Hutchins had acquired Manufacturers Hanover, fund officials asked the firm to transform the portfolio to an index fund, after which the fund's staff would run the assets.

Thomas E. Flanigan, chief investment officer of the California Teachers' system, said the switch to internal management is part of a long-term plan and not a reflection of Mitchell Hutchins' performance.

Arizona plans allocation review

PHOENIX, Ariz. — The $6.6 billion Arizona State Retirement System hired Wyatt Asset Services Inc. to do an asset allocation study to help fund executives better understand the relationship of the system's assets and liabilities, according to Doug Lemon, investment officer.

Mr. Lemon said it is too early to say if the results would lead to an allocation change. The system's current asset mix — 42.3% fixed income, 40.61% common stocks, 16.1% in cash and the remainder in mortgages and international — was the result of an asset allocation study completed a few years back.

Mr. Lemon said the system is doing the study, which is expected to take two to three months to complete, in part as a way to prepare for the anticipated adoption of accounting regulations by the Government Accounting Standards Board.

Election bolsters Canadian funds

TORONTO — The re-election of Canadian Prime Minister Brian Mulroney's Progressive Conservative Party will enhance prospects of Canadian pension funds being permitted to double their foreign investments.

In addition, passage of a U.S.-Canadian trade pact, which looks certain given the election results, might boost direct cross-border investment by U.S. and Canadian companies.

Virginia Atkin, a partner at Keith P. Ambachtsheer & Associates Inc., a Toronto consultant, said she thinks the victory by Mr. Mulroney's party should help ease the foreign investment regulations.

Keith Ambachtsheer, partner at Ambachtsheer & Associates, and others have been lobbying the Canadian Department of Finance to loosen foreign investment rules. They want Canadian funds to be allowed to double their foreign holdings (to 20% from 10% currently), by adding two percentage points a year during a five-year period.

Michael McKay, vice president of GBB Buck Consultants Ltd., Toronto, thinks passage of the U.S.-Canadian trade pact is likely to have little effect on investment management and pension fund assets. "The only thing is managers will be looking for companies that will exploit the U.S. market more but they're probably buying those companies already," he said.

PBGC set to appeal in LTV case

NEW YORK — The Pension Benefit Guaranty Corp. filed a brief Nov. 22 in 2nd U.S. Circuit Court of Appeals, giving the grounds for its appeal of the court's ruling that the agency could not force The LTV Corp., Dallas, to restore three pension plans.

The brief says the PBGC believes the court erred in ruling LTV's follow-on plans did not violate the pension insurance program and, therefore, couldn't be used as a reason for restoration. The follow-on plans are costing LTV $100 million a year and are crafted so employees are earning and receiving benefits as though no termination had occurred, but the company shifted $2 billion in unfunded pension liabilities from the terminated plans to the PBGC, a spokeswoman said.

LTV's brief is due in the court Dec. 21. A reply by the PBGC is due Jan. 4, and oral arguments likely will begin in early January.

Exec moves to investment firm

SAN DIEGO — Jim Meehan, manager of financial services at San Diego Gas & Electric Co. for the past two years, is leaving to become vice president-fixed income client servicing at Delaware Investment Advisers, Philadelphia.

Mr. Meehan was responsible for pension assets, cash management, corporate finance and nuclear decommissioning funding. The utility has about $300 million in pension assets. His replacement is Charles McMonagle, who has been supervisor of financings and investments at the utility for two years.

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Vol. 16, No. 25 — Pensions & Investment Age (ISSN 0273-5466) is published biweekly with a special edition in May, at 740 Rush St., Chicago, Ill. 60611. Second class postage paid at Chicago, Ill. and at additional mailing offices. Postmaster: Send address changes to Pensions & Investment Age, Circulation Dept. 965 E. Jefferson, Detroit, Mich. 48207. Copyright 1988.

L.A. plan trustees dismayed at loan

By Steve Hemmerick

LOS ANGELES — Trustees of the Los Angeles County Retirement Association are questioning the decision by county financial executives to borrow $100 million from two Japanese institutions to help reduce the $8.5 billion pension fund's $1.5 billion unfunded liability.

The loan is a 10-year, taxable private placement with Nippon Life Insurance Co. and the Long Term Credit Bank of Japan Ltd., both in Tokyo. Because the county's first obligation is to the pension fund, the loan will be senior to all other county debt. The senior status, coupled with the fact the proceeds will be used to pay down pension debt, enabled the county to obtain a 9.59% borrowing rate, said Sandra Tracey, county treasurer-tax collector.

"What is really happening is that the county is finding a means of lessening its costs, paying an obligation that it has to our retirement system," she said.

The agreement, signed Nov. 16, includes a currency-swap agreement that enables the county to receive its proceeds in dollars while the lenders are repaid in yen.

Pension fund trustees expressed anger over their lack of involvement in a transaction in which fund assets played such a critical role. Norman Johnson, chairman of the trustees, asked the county's chief administrative officer, Richard B. Dixon, to meet Nov. 23 with trustees to answer their questions.

Earlier, Mr. Dixon said the county will invest the $100 million in high-yield securities, such as savings and loan association securities, and use the profits to reduce the pension fund's unfunded liability.

But two trustees — Robert Hermann and Simon Russin — said they were told the county would use the proceeds to make normal plan contributions, not to reduce the unfunded liability. "What is so outrageous about this move is they are not paying off any unfunded liability, but they are borrowing money to make a normal $30 million monthly contribution to the pension fund and risking all this borrowed money," Mr. Russin said.

Ms. Tracey said it has not been decided yet where the money will be invested, adding it could be a loan to a sovereign government or in triple, double or single A corporate bonds. The county would not buy junk bonds, she said.

"If we felt there was any potential risk, we wouldn't go into it. Our intent is that we will be making sound investments," said Ms. Tracey.

Retirement association executives, however, were angered by the announcement of the private placement and might try to stop the transaction.

Mr. Hermann said the decision by Mr. Dixon and Ms. Tracey to exclude the investment board members from the decision to borrow the money was "patronizing."

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Fund invests in realty package

By Steve Hemmerick

The $1.3 billion Southern California Edison Co. pension fund invested $10 million in a commingled pool that will buy industrial properties that eventually will be packaged and resold to larger investors.

So far, the utility is the only investor in the closed-end fund, managed by AMB Real Estate Advisors, the new subsidiary of AMB Investments Inc., San Francisco. The pool — Western Properties Fund I — has a target of $100 million, and is AMB's first major push into the pension area.

The commingled pool also will invest in small retail properties, priced between $3 million and $15 million, said T. Robert Burke, a principal with AMB. The retail properties won't be packaged.

AMB officials expect to pay substantially less for the pool's properties, with initial capitalization rates possibly as high as 9% to 9.5%, 50 to 100 basis points over what other funds are paying, and substantially higher than cap rates on regional malls, which they said now are in the 5% to 6% range.

Mr. Burke said larger investors don't have the time to scout the many small bulk warehouse properties in the Western states, properties already familiar to AMB.

Although property transactions between and among commingled funds are done, managers usually don't make such deals part of their strategy.

"If you buy an office building, you can put a lot of money out just buying one building. The idea is if you can put together a package of industrial properties, they will generally be more valuable than the individual properties themselves," said Rick Yamamoto, supervisor of pension investment with Southern California Edison.

In many cases, insurance companies have sold properties out of their commingled funds to other tax-exempt investors, but the simple sale of one fund's property to another doesn't mean there is a premium paid, said Hamid R. Moghadam, a principal with AMB.

He said it is a myth that people will pay a premium for a portfolio of mixed-bag properties spread across a large part of the country. "I think the buyers make a better deal than the seller," Mr. Moghadam said.

AMB, on the other hand, is assembling an "integrated" package of smaller properties. "There is so much demand for medium-size, integrated portfolios of properties that people will pay a premium to buy them," Mr. Moghadam said.

"If you do buy a bunch of $3 million and $5 million industrial buildings in the same market, and you have $15 million or $20 million of them to sell, and they are a logical group, there are a lot of buyers out there that will buy a $15 million or $20 million deal, who wouldn't spend the time to look at a $3 million to $5 million deal."

AMB executives will invest the assets in Los Angeles, San Francisco, San Diego, Seattle, Denver, Phoenix, Salt Lake City and Orange County, Calif.

AMB is one of five real estate managers Southern California Edison hired. The others, and the amount allocated to each, are: Equitable Real Estate Investment Management Inc., Atlanta, $20 million to the Prime Property Fund; JMB Institutional Realty Corp., Chicago, $6 million to Group Trust II and $4 million to Group Trust IV; TCW Realty Advisors, Los Angeles, $10 million to Fund V; and LaSalle Advisors Ltd., Chicago, $10 million to Street Fund.

The latest hires bring Southern California Edison's real estate investments to $70 million, or about 5% of its assets. The fund previously had invested $10 million in PMRealty Advisors Inc.'s PMR I, a closed-end fund. ■

Rex Sinquefield will retain control of DFA along with David Booth.

DFA buys founder out, will sell 25%

By Barry B. Burr

Dimensional Fund Advisors Inc. agreed to buy back the nearly one-third stake of a founder in the money management company for $8.5 million, paving the way for it to agree to resell 25% of its outstanding shares to units of Kemper Financial Cos., Chicago, and Schroders PLC, London.

Schroder Capital Management International, New York, is an original venture-capital investor in DFA, already holding options on 15,750 shares, or 15% of the company on a fully diluted basis.

DFA hasn't developed any marketing or investment strategies with its new shareholders, according to Rex A. Sinquefield, DFA co-chairman and chief investment officer.

Continued on page 44

Surge in buy-outs is trickling down into GIC activity

By Fred Williams

For better or worse, the leveraged buy-out fever sweeping Wall Street will have a definite effect on insurance company investment returns and, more particularly, on the $75 billion guaranteed investment contract business.

GIC specialists have mixed feelings about the long-term effect of the leveraging of corporate balance sheets, but few doubt the credit quality of insurers and the fixed-income securities they purchase to back GICs will come under closer examination by investors, regulators and rating agencies.

"Sagging prices and higher yields (in the bond market) indicate weakening credit worthiness in the eyes of industrial bond buyers like insurance companies," said Sharon Morell, senior contract negotiator at Morley Capital Management Inc., a GIC management firm in Lake Oswego, Ore.

"As a result, insurance firms may be forced to buy higher-quality, lower-yielding investments such as Treasury and government agency securities instead of purchasing industrials. Carriers that continue to buy corporate issues may choose shorter, less risky maturities only. Both strategies will, most likely, cause GIC yield spreads to narrow."

Peter Bowles, president of Fiduciary Capital Management Inc., Woodbury, Conn., however, believes leveraged buy-outs, which are financed largely through the use of high-yield bonds and often result in a downgrading of other corporate debt, are "part of the evolution" in the financial markets and may prove positive for both insurance companies and GIC buyers.

"As bond prices drop, yields increase in junk bonds, which will put pressure on the offerers of high-quality bonds to offer better yields," Mr. Bowles said. "Investors will see the relative risks between the two will decrease, along with spreads between the two. If there is more demand for low-quality bonds, it will force high-quality bonds to increase yields to attract buyers. It will provide more supply of investments to supply the growing demand for GICs."

The overall results, he said, should be a relative increase in GIC rates.

One consequence, however, is the increased use of junk bonds in insurance company investment portfolios, a trend some believe has gone too far.

"Some carriers will have to look at some things they may have in the past turned up their noses at and begin to make additional use of junk bonds, maybe not in large quantities — as long as they

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Junk bonds as a percentage of insurer bond portfolios

	1987	1986
Executive Life	65.80%	64.28%
Northwestern National	43.07	45.40
Mutual Life of New York	22.06	18.09
Equitable Life Assurance	20.83	13.73
Southwestern Life	18.68	13.87
New England Mutual	16.43	10.02
Phoenix Mutual	16.15	15.12
Prudential	15.42	11.20
John Hancock	13.63	10.24
Principal Mutual	12.73	8.04
Pacific Mutual	12.26	9.99
Mutual Benefit	10.65	5.25
Home Life	10.24	5.93
Connecticut General	9.89	8.66
Minnesota Mutual	9.67	5.51
State Mutual	9.56	6.35
Aetna Life	8.94	8.05
Penn Mutual	8.19	8.08
Connecticut Mutual	8.17	5.65
Northwestern Mutual	8.14	6.60
Massachusetts Mutual	6.66	5.22
Travelers	6.32	4.85
Transamerica Occidental	5.79	1.48
Sun Life of America	5.68	4.42
Aetna Life and Annuity	5.54	4.47
Guardian Life	5.21	4.90
Transamerica Life & Annuity	5.16	1.12
IDS Life	4.49	3.97
Provident Life & Accident	4.20	4.64
New York Life	3.88	4.46
Nationwide	3.79	4.12
Metropolitan Life	3.41	4.15
Commonwealth	3.17	2.37
State Farm	1.99	2.62
Peoples Security	1.88	1.94
Provident National	1.84	1.58
Peer Group Average	**11.38**	**9.23**
Peer Group Median	**8.18**	**5.58**

Source: Moody's Investors Service, New York

GDP weighting gains followers

By Joel Chernoff

A few U.S. tax-exempt investors are turning to international indexes weighted by the gross domestic product instead of traditional market-capitalization weighted benchmarks.

While proponents of the GDP-weighted index say it more adequately reflects the wealth of nations, opponents say it is primarily a way of justifying lower exposure to Japan. In addition, some maintain GDP-weighted index funds have triple the turnover of market-cap indexes and contain hidden trading costs that sharply increase their cost.

"Neither the GDP or market-cap index is perfect," said Jan Harding, a vice president at Frank Russell Co., Tacoma, Wash. But flaws inherent in the GDP approach outweigh its benefits, she added.

With Japan at 63.4% of the Morgan Stanley Capital International Europe Australia Far East Index, pension fund executives have been fretting about their exposure to the island nation — whether they believe they are overexposed through passive vehicles or are trying to justify the typical underweighting held by their active international equity managers.

Under a GDP-weighted approach, an index fund or benchmark uses the same countries and stocks contained in the EAFE or other international index, but weights the country allocation by each nation's economic strength. Thus, Japan is only 33.4% of the GDP-weighted EAFE, while West Germany is increased to 15.85% from 4.7%.

In the past year, the $9 billion GTE Corp. pension fund, Stamford, Conn., the $6.4 billion State of Connecticut Trust Funds, Hartford, and the $1.7 billion Yale University endowment fund, New Haven, Conn., have adopted GDP-weighted benchmarks, and sometimes, GDP-weighted portfolios.

Advocates of GDP-weighted indexes say there are numerous factors in favor of the approach.

"One of the excuses for (GDP weighting) is that it's just a way to reduce the Japan weight. But I think there's more to it than that," said Lyle Davis, managing director and chief investment officer of Boston International Advisors Inc., Boston, a leading proponent of GDP-weighted index funds.

Mr. Davis said use of a GDP-weighted index reflects the value of corporate earnings within a country, instead of using both earnings and the price-earnings ratio. "It's sort of a historical accident that some markets have well-developed stock markets and others don't," he said.

Frank McDermott, assistant treasurer-investments at the State of Connecticut fund, said the decision to invest in a GDP-weighted index fund hinges on how officials look at equity markets.

"We invest in stocks because we want to participate in the growth of economies, not the size of stock markets. We thought this was a more rational approach," he said.

On Jan. 1, the Connecticut fund made an initial $50 million investment in a GDP-weighted index fund run by Boston International; the portfolio since has grown to $150 million.

Connecticut's portfolio with Boston International also is free of South Africa-related stocks, which reduces its Japanese exposure to 30.5%. It returned 9.7% in the first three quarters, compared with 10.6% for Boston International's GDP-weighted portfolio and 11.1% for the EAFE (with gross dividends reinvested).

Mr. McDermott and others also cited the automatic "buy low, sell high" aspect of a GDP-weighted index. While GDP weightings shift only marginally, market performance will tend to either buoy or depress individual countries' representation within the index, thus forcing regular rebalancings.

Proponents say adoption of a GDP weighting provides better diversification and is more stable over time than a traditional market-cap index. While the percentage of Japan in the EAFE has jumped nearly fivefold from 14% in 1970, it has remained relatively stable within a GDP-weighted index, increasing to 33.4% from 21%.

Volatility of market-cap indexes can cause problems. "If the Japanese market drops 40%, you would have to sell Japanese stocks into a weak market to get proper market capitalization," said John Carroll, president of GTE Investment Management Corp.

This fall, GTE adopted a GDP-weighted benchmark for its active international equity managers because it was more reflective of countries' economies, Mr. Carroll said. In addition, it provided a 50% currency hedge to reduce risk and cause its managers to focus on currency risk, he said.

Meanwhile, long-term performance is virtually the same as with a market-cap approach. In the 18-year

Continued on page 48

Social issues remain

S. Africa, N. Ireland on '89 proxy agenda

By Trudy Ring

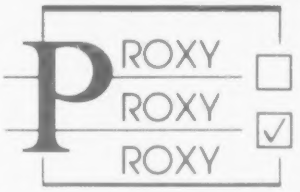
Corporations will face about the same number of South Africa-related shareholder resolutions in 1989 as they did in 1988, while the number of resolutions on Northern Ireland will be greater.

So far, 90 resolutions on South Africa have been submitted to be voted upon in the coming proxy season, according to the Investor Responsibility Research Center, Washington. In 1988, shareholders submitted 100 South Africa-related resolutions, but voted on 87 because 13 were withdrawn following negotiations between the company and the sponsor of the resolution.

Twenty-two questions on Northern Ireland are scheduled for a vote next year, while 16 were submitted and voted on this year.

These numbers indicate shareholder activism on social issues is not abating, said Carolyn Mathiasen, director of the IRRC's social issues service. "All the publicly held companies that are in South Africa are getting resolutions," she said.

Most call for withdrawal of operations from South Africa, and many ask the companies to sever sales and licensing agreements.



But at least 16 companies that do not have a physical presence in South Africa have received resolutions asking them to cut other ties to that nation. These include IBM Corp., Xerox Corp., Westinghouse Electric Corp. and General Motors Corp.

Other resolutions ask companies to end sales to the South African police and military or to adopt the Statement of Principles (formerly the Sullivan Principles), an equal employment and social responsibility code.

Most of the Northern Ireland resolutions ask the companies to adopt the MacBride Principles, a code calling for equal opportunity for Catholics in the workplace. U.S. companies operating in Northern Ireland have shied away from endorsing the principles because of a concern they constitute reverse discrimination and therefore would violate British law.

It is unlikely shareholders would call for companies to leave Northern Ireland, Ms. Mathiasen said. "A major concern is the fact that unemployment is so high. The last thing (shareholders) want to see is for a major U.S. employer to leave Northern Ireland."

The list of shareholders filing resolutions on South Africa and Northern Ireland includes many of the prominent names of past proxy seasons: the New York City Employees' Retirement Systems, the Interfaith Center on Corporate Responsibility, the Teachers Insurance and Annuity Association — College Retirement Equities Fund, New York State and Local Retirement Systems, New York State Teachers' Retirement System, General Board of Pensions of the United Methodist Church and State of Wisconsin Investment Board.

Among the new sponsors are the states of Connecticut and Minnesota, where legislatures have mandated activism on Northern Ireland.

Connecticut's law calls for the $6.5 billion State of Connecticut Trust Funds to divest, by May 1990, the stock of any company operating in Northern Ireland that has not adopted the MacBride Principles, said Maryellen Andersen, investment officer-social compliance.

The Connecticut funds hold stock in nine of these companies and are sponsoring or co-sponsoring resolutions at NYNEX Corp., Teleflex Inc., VF Corp., and Son-

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OPINION

It's the ultimate LBO

In launching a leveraged buy-out bid for the federal government, Kohlberg, Kravis, Roberts & Co. has gone too far.

Last week, KKR offered a $1.25 trillion package for the government. The offer is composed of $750 billion in senior debt, $500 billion in subordinated debt, $20 million in equities and assorted S&H Green Stamps.

"The U.S. has just been begging to be raided," said a KKR official, noting the country is undervalued as evidenced by the level at which its "stock," the dollar, is trading.

Pension funds should withhold their commitments from the KKR LBO pool if the firm insists on pursuing this hostile takeover attempt. They will have several grounds on which to do so.

First, many have prohibitions against hostile takeovers in their contracts with KKR. Second, KKR, if successful, might have to end the tax exemption of pension contributions and investment earnings to raise revenue to service the junk bonds issued to finance the takeover.

On the other side of the coin, however, public funds might have a lot to gain through a takeover.

Through ownership, they could force the federal government to cut its ties with South Africa, thus effectively creating the foreign policy they now seek to do at the local level.

They also could restore the sovereignty of the states, which steadily has been eroded since Marbury vs Madison and the Civil War, as well as restore the tax-exempt status of industrial development bonds, allowing K mart to continue its conquest of strip malls.

Corporate pension investors, however, might run into other difficulties, especially if their parent companies are later approached to buy parts of the government that will have to be sold off to pay down the debt used to finance the deal. That could cause the funds to be in violation of ERISA's conflict of interests rules.

General Electric, for example, might be asked to acquire the Department of Defense (minus the Pentagon building, which reportedly will be offered to JMB Institutional Realty). A consortium of United Technologies and General Dynamics also has been mentioned as a possible bidder for the department.

Exxon and Mobil are expected to be among the high bidders for the Department of Energy, while Avon might be interested in acquiring the Food & Drug Administration.

The biggest prize, of course, is the Federal Reserve Board. Citicorp is believed to be interested, but a consortium of Japanese and U.S. institutions also is said to be mounting a bid.

While the Industrial Bank of Japan apparently has committed to buy a good part of the junk bond financing necessary for the deal, domestic institutions are reportedly wary.

They say the government is highly leveraged already, and are skeptical of its ability to carry the amount of junk debt necessary to finance the deal. They note the government loaded up with debt during the past eight years precisely because it felt vulnerable to a bid from KKR or Forstmann Little & Co., and might have taken on enough to be invulnerable.

Just hours after the announcement of the bid, Moody's lowered the rating of U.S. government debt, prompting speculation Treasury bondholders will sue.

Further, although KKR may be able to sell government departments to pay down some of the debt, investors remain skeptical the firm can either improve government efficiency or increase revenue enough to carry the additional debt burden. They point out that eight years of the Reagan administration made barely a dent on government inefficiency.

It would be ironic if the government used a Pac Man defense against KKR and launched a takeover bid for the LBO specialists.

OTHER VIEWS

By G.A. David Gray

A "Master of the Universe" telephones an investment manager, offering $5 million Caveat Emptor Inc. 8.625% debentures due in 28 years.

The salesman explains, at a yield of 10%, the debentures provide 100 basis points more yield than U.S. Treasury securities of the same maturity. For a strong, A credit, this is "an exceptionally attractive" spread.

The Master also argues Caveat Emptor is almost immune to "event risk" because it would require $15 billion or more to be taken private and that "our analyst says nothing that big will ever be taken over."

While the investment manager long has been leery of industrial debt issues because of event risk, he buys $3 million par value of debentures at a price of 87¼. The purchase represents 3.5% of his portfolio.

At the same time, in the Master's mergers and acquisition department, a coterie of investment bankers meets with senior management to plan a Caveat Emptor leveraged buy-out. The price — $18 billion. Excitement mounts. The bankers' fees will top $200 million. Management will get rich. The buy-out price of the stock will exceed 90. (It closed at 59 last week.) Equity portfolio managers will be ecstatic, their clients, pleased.

The next day, as headlines scream out news of the deal, the bond manager's stomach sinks. The two major rating agencies announce a credit review, which likely will reduce Caveat Emptor's debt rating to double B or lower — less than investment grade.

The bond manager calls the Master of the Universe howling. The Master responds: "Those 'expletive deleteds' upstairs did the whole deal and no one told us. In fact my trader still has the other $2 million you didn't buy. How do you think he feels?"

Noting the bonds are quoted at 74¼, the Master says, "That's a yield of 11.75%, or 190 basis points over Treasuries."

"I don't give a darn about the yield over Treasuries," the manager responds. "I've just lost 13 points, or $390,000 of my client's money. On a $75 million portfolio, that's 52 basis points of performance. For my account, my performance this year will be fourth quartile. That wrecks our marketing efforts for next year. In addition, my bonus will be zilch!"

Shortly afterwards, the agencies reduce the rating to B, citing the inordinate amount of Caveat Emptor debt that will hit the market. They stress they expect the bonds to be "money" good. The now speculative-grade issue, however, must be sold by the bond manager to comply with client investment guidelines.

Once again, the manager calls the Master, and asks, "What's your bid for the $3 million Emptors you sold me?"

"We can't bid," replies the Master. "As an underwriter of the new Emptor junk paper, we are restricted from bidding. In fact, most of Street is in the new Emptor deal. So none can bid.

"We will be happy to take an order on an agency basis and see what we can do for you. However, ever since those damn rating agencies downgraded the issue, there are more sellers than buyers. In fact, the issue looks like it has widened another 50 basis points against Treasuries since the downgrade. Treasuries, in fact, have done really well during this rally."

The manager sells his Caveat Emptor bonds for a total loss of $480,000 on his "investment." Because his performance was lower fourth quartile, having underperformed the market by 64 basis points, he subsequently was fired.

Questions. Will bond portfolio managers ever learn? If they do, will the bond market be closed permanently to investment-grade industrial companies?

Should underwriters be prohibited from offering a company's bonds if they are participating in discussions that will change materially the structure of the balance sheet and, therefore, the bond rating? If not, should underwriters be legally bound to buy back from investors — at investors' cost — issues sold by them that subsequently were downgraded because of the underwriter's role in revamping the balance sheet of the borrower?

Should corporate bond issues carry provisions that will enable investors to "put" bonds back to the issuer at par whenever the borrower's rating declines by one full rating category? If the borrower's securities are investment grade when an issue is created, why should the lender suffer if the quality of the borrower's financial statements declines or is deliberately wrecked?

P.S. According to Thomas Wolfe, a "Master of the Universe" is a bond salesman. He got it wrong, didn't he? ■

Mr. Gray is vice president and manager of structured fixed income at The Boston Co., Boston.

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Published every other week by Crain Communications, Inc. Offices at 220 E. 42nd St., New York 10017 (editorial: 212/210-0255, advertising: 210-0114); 740 N. Rush St., Chicago 60611 (312/649-5200); 814 National Press Bldg., Washington, D.C. 20045 (202/662-7200); 6404 Wilshire Blvd., Los Angeles 90048 (213/651-3710); 1 NorthPark East, Suite 114, 8950 Central Expwy., Dallas 75231 (214/692-9648).

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WILLIAM STRONG, vp-circulation, JOHN HUFFMAN, fulfillment director. Four weeks notice required for change of address. Address all subscription correspondence to Pensions & Investment Age, 965 Jefferson, Detroit, Mich. 48207. Telex number: 25-4248; Cable address: CRAINCOM. Microfilm copies are available from University Microfilms, 300 N. Zeeb Rd., Ann Arbor, Mich. 48021. Microfiche copies are available from Bell & Howell, Micro Photo Division, Old Mansfield Rd., Wooster, Oh. 44691.

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Value gives equity leaders the edge

By Curtis Vosti

Value was the key word in the investment strategies of the top performing equity funds in the third-quarter Pensions & Investments' Performance Evaluation Report, with hedging giving the leading fund its edge

The leader among the 314 pooled equity funds of banks and insurance companies in the PIPER universe for the quarter ended Sept 30 was the $7 million hedged equity fund of Gary Wheaton Bank of Chicago It had a return of 5.3%, compared with the Standard & Poor's 500 Stock Index's 0.3%, and the median fund's 0.1%

The Gary Wheaton fund sells S&P 100 stock options against the fund, which is a value-oriented portfolio, according to Doug Eyles, vice president and manager of the trust division

"The hedging that was the thing that helped our performance," he said

The average 25 stocks in the portfolio are picked through a disciplined screen of stocks with more than $200 million capitalization and stressing financial strength and dividends The screened stocks then are ranked according to their price-earnings ratio Those that fall in the lower 40% of the p/e ranking are candidates to be bought, while those that ranked in the top 60% are candidates to be sold, Mr Eyles said

The stocks typically are held for two to three years

Sizable holdings include **RJR Nabisco Inc.**, **American General Corp.**, **May Department Stores Co.**, **K mart Corp.** and **Philip Morris Cos. Inc.**, he said

The second-ranked fund for the quarter — returning 5.19% — was the equity fund of United States National Bank of Galveston, Texas The $42 million fund targets a rate of return greater than the rate of inflation during a three- to five-year market cycle, according to Freddie Meier, senior vice president and trust officer

He said the fund is value-oriented, looking for stocks with above-average dividends and low p/es

The fund has lowered its cash position to 20% in the third quarter from 40% at the time of the 1987 market crash The 100 stocks in the fund are held until they reach a target price, and then are sold piecemeal, Mr Meier said. "We do not chase markets," he said

The fund is invested about 34% in financial stocks and 17% in consumer staples such as tobacco companies, he said Large holdings include the **Federal National Mortgage Association** and **The Kroger Co.**

Coming in third was the equity fund of the National Bank of Commerce, Nashville, Tenn It returned 4.5% for the quarter

Myron Mall, president of the bank's subsidiary, Commerce Capital Management Inc., Nashville, said the $12 million fund is "in the true sense, a value-oriented" fund that typically holds its stocks for three to five years

The fund buys stocks after they go through a number of screens, looking for low price-cash flow and low price-book ratios

"We make projections on future revenue streams based on past results and future economic assumptions," Mr Mall said

Large holdings include **Best Products Co. Inc.**, **Interco Inc.**, **Hospital Corp. of America** and **Rhodes Inc.**

The top ranking fund for the year ended Sept 30 was the $448 million institutional equity fund of First Chicago Investment Advisors, Chicago, returning 16.5%, compared with the S&P 500's −12.4% and the median fund's −10.3%

The fund, which finished in the top decile for the three- and five-year periods and in the top quartile for the quarter, stresses long-term value, according to Bob Moore, director of research

He said the fund started lowering its 50% cash position immediately after Oct 19, 1987, and was in the 10% to 15% range by the end of the third quarter

The stocks are picked on "straight value," he said, based on the current value of cash flows. "A lot of five-yards-and-a-cloud-of-dust type of stuff," he said of the number crunching The horizons tend to be three years or more

Current holdings include **MCI**

Continued on page 23

Pooled equity funds
(periods ended Sept. 30, 1988)

	Quarter	1 yr.	3 yr.	5 yr.	10 yr.
Highest return	5.26%	16.45%	28.75%	23.97%	22.30%
First quartile	1.22	−6.96	18.28	14.68	15.94
Median	0.12	−10.30	16.57	12.95	14.75
Third quartile	−1.09	−13.83	14.62	11.07	13.24
Lowest return	-9.85	−41.55	4.03	4.80	7.81
S&P 500	**0.34**	**−12.39**	**18.32**	**14.72**	**15.42**

Fixed income funds
(periods ended Sept. 30, 1988)

	Quarter	1 yr.	3 yr.	5 yr.	10 yr.
Highest return	5.87%	19.43%	15.24%	16.13	13.42%
First quartile	2.08	13.07	10.96	12.40	11.02
Median	1.80	11.64	10.04	11.57	10.23
Third quartile	1.58	10.10	9.03	10.77	9.66
Lowest return	0.39	2.42	2.55	7.52	6.46
Shearson G/C	**1.87**	**12.77**	**10.67**	**12.27**	**10.72**

Riskier techniques help in fixed income

By Carol Wiley

A high-yield fund and an arbitrage fund were the best performing bond funds for the quarter and the year ended Sept 30, according to the Pensions & Investments' Performance Evaluation Report

The report ranks 285 commingled fixed-income funds run by banks and insurance companies

During the quarter, the median fund returned 1.8%, just shy of the Shearson Lehman Hutton Government/Corporate Bond Index at 1.87%

The median fund lagged the index for all other time periods, as well The median fund returned 11.5% for the year ended Sept 30, compared with the index's 12.8%; a compound annualized 10.4% for three years against the index's 10.7%; 11.6% for five years vs 12.3%; and, for 10 years, 10.2% vs. 10.7%. (All returns for periods longer than one year are compound annualized.)

The best performer for the quarter was the $5.5 million High-Yield Return fund managed by PM Capital Management, Newport Beach, Calif., for its parent, Pacific Financial Cos., also of Newport Beach. The fund returned 5.97%. For the year, it returned 14.2%.

The fund looks for quality in the high-yield market and is actively managed, said Nancy Kelly, operations manager-institutional sales.

"We look for fallen angels on the mend," Ms Kelly said The portfolio contains a number of collateralized mortgage obligations and a "nominal amount" of bond futures, she said

Ms Kelly would not divulge the names of the fund's corporate holdings

A fund run by California First Bank, San Diego, ranked second for the quarter, with a return of 3.91%, a bond fund managed by Life of Virginia/Aon Advisors Inc., Richmond, ranked third, with 3.8% return

Kenneth Sanders, chief investment officer at California First, did not return phone calls by press time.

The $150 million Collective Fund F run by Centerre Trust Co., St. Louis, ranked first for the year with a 19.4% return.

Economic analysis has led Centerre to run long in bonds during the past year because it believes the economy is in a disinflationary period, said Robert Franklin, chief investment officer for fixed income.

Investment tactics include arbitrage, although Mr Franklin

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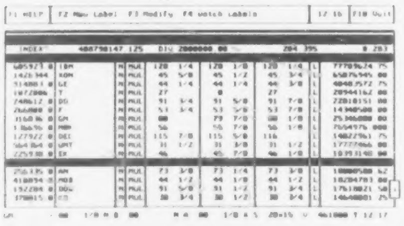

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Top quartile commingled fixed-income funds

3-month returns

	%
Pacific Financial (Hyr.), Calif	5.9
California First Bank	3.9
Life of Virginia	3.8
Wellington Trust (Emerg.), Mass	3.5
General American (SA 9), Mo	3.5
Greeley Nat'l, Colo	3.3
Centerre Trust, Mo	3.2
Trust Services of America, Calif	3.1
Nat'l City Cleveland	3.1
Liberty Nat'l, Okla	3.0
Bank of America, Calif	2.8
Second Nat'l Bank, Ohio	2.8
Pacific Mutual, Calif	2.8
Trust Co. of the West (High yield)	2.8
John Hancock, Mass	2.8
Union Labor Life (SA B), D.C	2.8
Delaware Trust	2.7
Cullen Bank, Texas	2.7
First Interstate of California	2.6
First Variable Life, Ark	2.6
Beverly Bank, Ill	2.6
Marine Midland, N.Y	2.5
Fidelity Bank, Pa	2.5
The New England, Mass	2.5
First N.H. Investment (B)	2.5
The Principal, Iowa	2.5
Transamerica (SA T-2), Calif	2.5
Sovran Bank (Inst.), Va	2.5
New York Life (SA 4)	2.5
Mutual of New York (Private)	2.4
Security Pacific, Calif	2.4
Capital Trust, Ore	2.4
First Chicago	2.4
Chase Manhattan (Long), N.Y	2.4
Nat'l Bank of Detroit	2.3
Mutual of New York (Public)	2.3
First Kentucky Trust	2.3
First Variable Life, Ark	2.3
Wellington Trust (High yield), Mass	2.3
Bankers Trust (A), N.Y	2.3
Travelers (SA D), Conn	2.3
Trustmark Nat'l, Miss	2.3
NCNB Texas (Long)	2.3
Mercantile Bank, Mo	2.3
Aetna Life (SA 76), Conn	2.2
Connecticut Nat'l	2.2
Massachusetts Mutual	2.2
CIGNA Corp. (Active), Conn	2.2
First of Kenosha (CT4002), Wis	2.2
Frost Nat'l, Texas	2.2
First Bank Milwaukee	2.2
Chase Investors (Index), N.Y	2.2
IAA Trust (B), Ill	2.2
First of Maryland	2.2
Irving Trust, N.Y	2.2
Hawaiian Trust (Defensive)	2.2
Citytrust (E3), Conn	2.2
First Asset Mgmt., Minn	2.2
Core States Investment, Pa	2.2
Bank One, Indianapolis	2.1
Midlantic Nat'l, N.J	2.1
First Tennessee Memphis	2.1
Ameritrust, Ohio	2.1
Jefferson Trust, Ill	2.1
American Security, D.C	2.1
Signet Trust (Stable), Va	2.1
Security Nat'l (II), W. Va	2.1
Connecticut Nat'l Bank (Inter.)	2.1
Morgan Guaranty, N.Y	2.1
Wellington Trust (G/C), Mass	2.1
Metropolitan Life (SA 41), N.Y	2.1
Maryland Nat'l	2.1
First Asset Mgmt., Minn	2.1
First Wisconsin Asset	2.1
Key Trust Co. of Alaska	2.1
First Nat'l Mercantile (B), Mo	2.1
Shearson Lehman G/C Index	**1.9**

1-year returns

	%
Centerre Trust, Mo	19.4
Beverly Bank, Ill	18.6
General American (SA 9), Mo	17.5
First Variable Life, Ark	16.7
Delaware Trust	16.7
NCNB Texas (Long)	16.4
The Principal, Iowa	16.1
California First	15.9
Capital Trust, Ore	15.8
IAA Trust (B), Ill	15.8
State Street Bank, Mass	15.6
Mercantile Bank, Mo	15.5
Union Labor Life (SA B), D.C	15.4
Trust Services of America, Calif	15.2
Chase Manhattan (Long), N.Y	15.2
Transamerica Life (SA T-2), Calif	15.2
First Interstate of California	15.1
Morgan Guaranty, N.Y	14.8
American Security, D.C	14.8
Maryland Nat'l	14.7
Comerica Bank, Mich	14.6
First Chicago	14.6
First Kentucky Trust	14.5
Northern Trust, Ill	14.5
Wellington Trust (G/C), Mass	14.5
Nat'l Bank of Detroit	14.4
Pacific Mutual, Calif	14.4
Midlantic Nat'l, N.J	14.4
Frost Nat'l, Texas	14.3
Trust Co. of the West (High yield)	14.3
Citytrust (E3), Conn	14.2
Pacific Financial (Hyr.), Calif	14.2
Seafirst Bank, Wash	14.2
Seattle First Nat'l	14.2
Mutual of New York (Public)	14.1
Nat'l City Cleveland, Ohio	14.1
Core States Investment, Pa	14.1
Connecticut Nat'l	14.0
Second Nat'l Bank, Ohio	14.0
Bankers Trust (A), N.Y	14.0
First Nat'l Mercantile (B), Mo	14.0
The New England, Mass	14.0
CIGNA Corp. (Active), Conn	14.0
Fidelity Bank, Pa	13.8
Travelers (SA D), Conn	13.8
First Wachovia, N.C	13.8
Chase Investors (Index), N.Y	13.8
First Chicago (Dollar)	13.7
The Phoenix (Mgd.), Conn	13.7
Equitable Capital (5), N.Y	13.7
Connecticut Nat'l (Inter.)	13.7
Sovran Bank (Inst.), Va	13.7
Hawaiian Trust	13.7
Bank of America, Calif	13.6
First of Kenosha (CT4002), Wis	13.6
Chancellor (Bondshift), N.Y	13.6
Hamilton Bank, Pa	13.5
First Trust, Colo	13.5
Metropolitan Life (SA 41), N.Y	13.5
First Wisconsin Trust (Index)	13.4
Harris Trust, Ill	13.4
First Asset Mgmt., Minn	13.4
First Asset Mgmt., Minn	13.3
Exchange Nat'l Bank, Ill	13.3
John Hancock, Mass	13.3
First Bank Milwaukee	13.2
Chicago Title & Trust, Ill	13.2
Aetna Life (SA 76), Conn	13.1
New York Life (SA 4)	13.1
Shearson Lehman G/C Index	**12.8**

3-year returns

	%
United of Denver	15.2
Delaware Trust	15.2
Equitable Capital (5), N.Y	14.6
Transamerica Life (SA T-2), Calif	14.5
Beverly Bank, Ill	13.8
Centerre Trust, Mo	13.7
Sunburst Bank, Miss	13.7
Chase Manhattan (Long), N.Y	13.6
First Variable Life, Ark	13.5
IAA Trust (B), Ill	12.9
Connecticut Nat'l	12.7
General American (SA 9), Mo	12.7
Wellington Trust (Emerg.), Mass	12.6
Sanwa Bank (C), Calif	12.6
The Principal, Iowa	12.5
Colonial American Nat'l, Va	12.5
LaSalle Nat'l (Long), Ill	12.4
Metropolitan Life (SA 41), N.Y	12.3
Trust Services of America, Calif	12.3
Pacific Mutual, Calif	12.2
Union Labor Life (SA B), D.C	12.2
Travelers (SA P), Conn	12.2
Fidelity Bank, Pa	12.1
First Kentucky Trust	12.1
First Chicago	12.1
Sovran Bank (Inst.), Va	12.0
Harris Trust, Ill	12.0
First Interstate of Arizona	12.0
American Security, D.C	12.0
John Hancock, Mass	12.0
Northern Trust, Ill	11.9
Chase Manhattan (A), N.Y	11.9
Mutual of New York (Private)	11.9
Core States Investment, Pa	11.8
CIGNA Corp. (Active), Conn	11.7
Manufacturers Life (B), Ontario	11.7
Morgan Guaranty, N.Y	11.7
Shawmut Bank, Mass	11.6
Society Nat'l, Ohio	11.6
Bankers Trust (A), N.Y	11.6
Nat'l Bank of Commerce, Neb	11.6
NCNB Texas (Long)	11.6
Bank of America, Calif	11.5
First Nat'l Mercantile (B), Mo	11.5
Connecticut Nat'l Bank (Inter.)	11.5
Colorado Nat'l Bank	11.5
First Wachovia, N.C.	11.4
The Phoenix (Mgd.), Conn.	11.4
First Interstate of California	11.3
Comerica Bank, Mich.	11.3
First Wisconsin Trust (Index)	11.3
Chicago Title & Trust	11.3
Wellington Trust (G/C), Mass.	11.2
Exchange Nat'l Bank, Ill.	11.2
Continental Illinois	11.1
Life of Virginia	11.1

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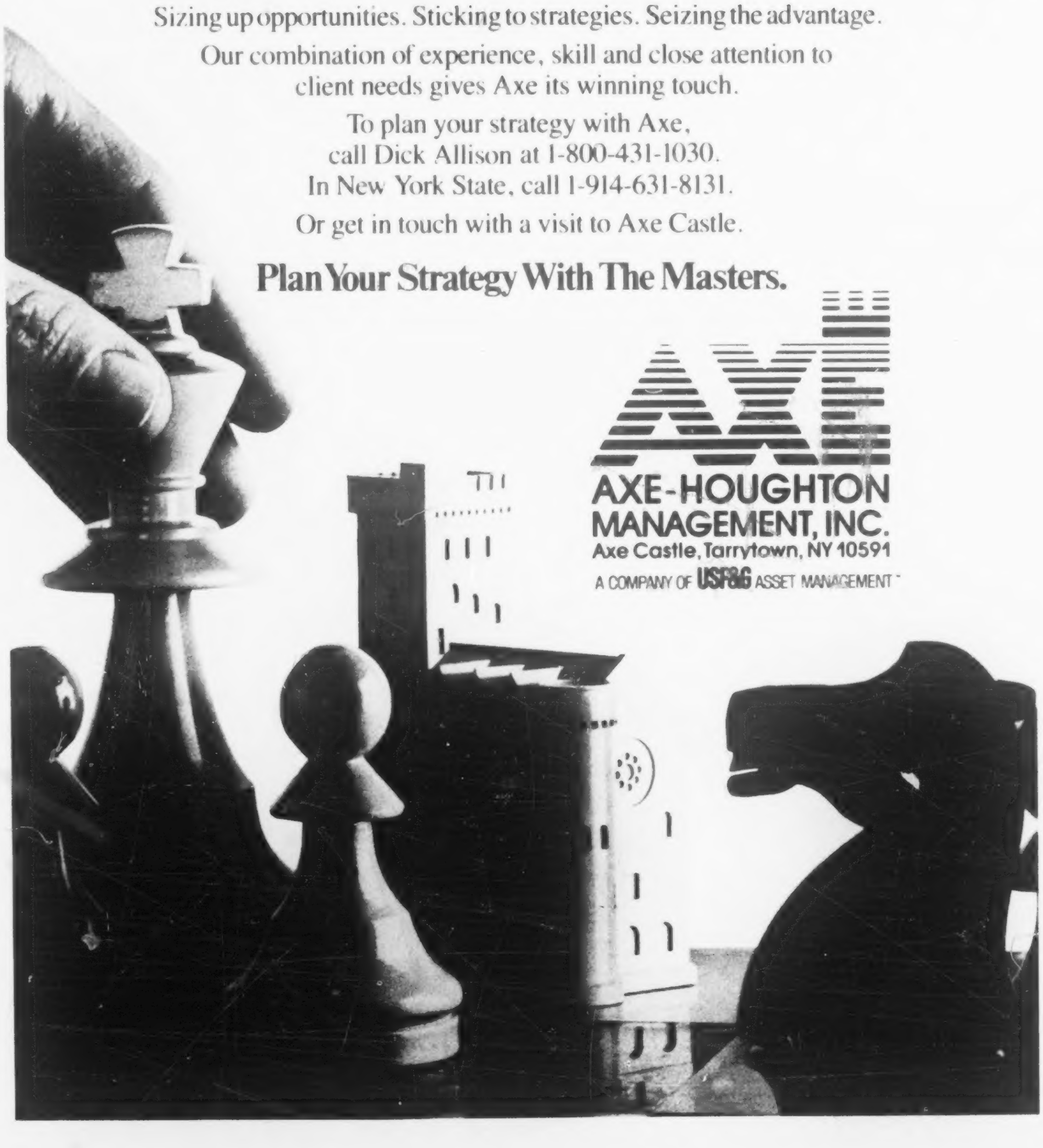

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Top fixed funds by size

1-year returns

Over $100 million

	%
Centerre Trust, Mo	19.4
The Principal, Iowa	16.1
Mercantile Bank, Mo	15.5
Chase Manhattan (Long), N Y	15.2
Transamerica Life (SA T-2)	15.2
American Security, D C	14.8
First Chicago	14.6
First Kentucky Trust	14.5
Nat'l Bank of Detroit	14.4
Pacific Mutual, Calif	14.4

$50 million to $100 million

	%
Trust Services of America	15.2
Comerica Bank, Mich	14.6
Northern Trust, Ill	14.5
Midlantic Nat'l, N J	14.4
Mutual of New York (Public)	14.1
Bankers Trust (A), N Y	14.0
First Wisconsin Trust (Index)	13.4
Life of Virginia	12.8
Sun Bank, Fla	12.7
Banc One Asset, Ohio	12.6

$10 million to $50 million

	%
Beverly Bank, Ill	18.6
Delaware Trust	16.7
NCNB Texas (Long)	16.4
California First Bank	15.9
Capital Trust, Ore	15.8
IAA Trust (B), Ill	15.8
Union Labor Life (SA B), D C	15.4
First Interstate of California	15.1
Wellington Trust (G C), Mass	14.5
Frost Nat'l, Texas	14.3

Under $10 million

	%
General American (SA 9), Mo	17.5
First Variable Life, Ark	16.7
Morgan Guaranty, N Y	14.8
Maryland Nat'l	14.7
Pacific Financial (Hyr), Calif	14.2
Connecticut Nat'l Bank	14.0
Second Nat'l Bank, Ohio	14.0
First of Kenosha (CT4002)	13.6
Hamilton Bank, Pa	13.5
First Trust, Colo	13.5

10-year returns

Over $100 million

	%
Sovran Bank (Inst), Va	13.1
Centerre Trust, Mo	12.6
Pacific Mutual, Calif	12.5
American Security, D C	12.4
Texas Commerce (Active)	12.3
First Kentucky Trust	12.1
Hibernia Nat'l, La	11.7
Bank of New England, Mass	11.5
Northern Trust (Inter), Ill	11.4
Mercantile Bank, Mo	11.3
John Hancock, Mass	11.3

$50 million to $100 million

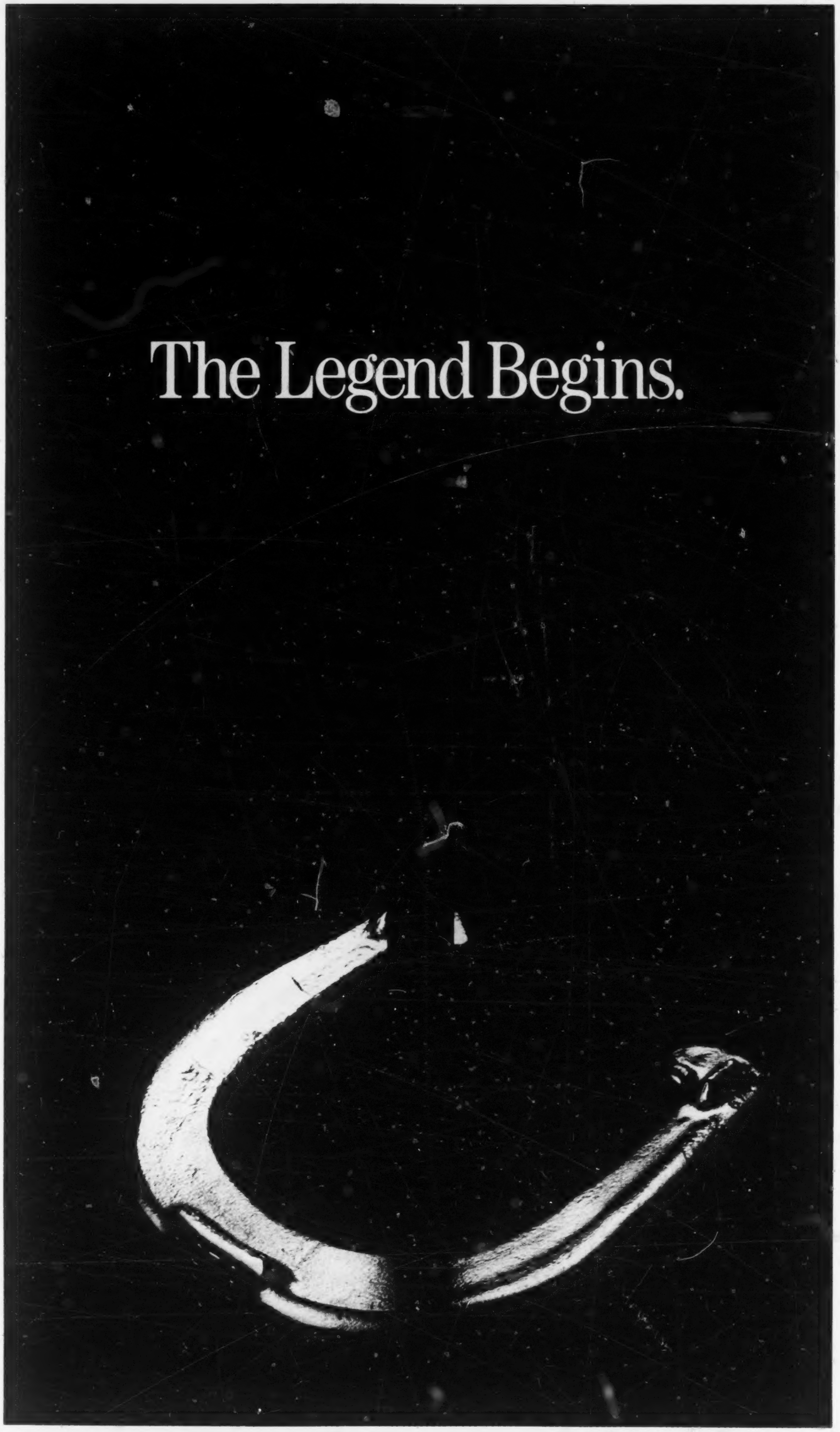
	%
Life of Virginia	12.0
First Jersey Nat'l, N J	11.6
Bankers Trust (B), N Y	11.4
Manufacturers Detroit	11.3
Bankers Trust (A), N Y	11.3
Trust Services of America	10.9
Massachusetts Mutual	10.8
Northern Trust, Ill	10.7
First Fidelity (Inter), N J	10.6
Citizens Fidelity (F), Ky	10.5

$10 million to $50 million

	%
United of Denver	13.4
Beverly Bank, Ill	13.3
Seafirst Bank, Wash	12.4
Fidelity Bank, Pa	12.3
Sanwa Bank (C), Calif	11.9
First Interstate of California	11.9
First Interstate of Arizona	11.7
First Wisconsin Asset	11.7
Cullen Bank, Texas	11.5
IAA Trust (B), Ill.	11.4

Under $10 million

	%
Morgan Guaranty, N.Y.	11.7
Central Fidelity, Va.	11.6
Connecticut Nat'l Bank	11.6
Sovran Bank/Central South	11.5
Second Nat'l Bank, Ohio	11.3
Colonial American Nat'l, Va.	11.2
Oregon Bank	10.9
Exchange Nat'l Bank, Ill.	10.6
Firstier Bank Lincoln, Neb.	10.4
Associated Manitowoc (High)	10.4



Massachusetts Mutual	11.1
MTrust, Texas	11.0
First City Nat'l Houston	11.0
Chancellor Capital, N.Y.	11.0
Liberty Nat'l, Ky.	11.0
Nat'l Bank of Detroit	11.0
First Alabama Bank	11.0
First of Omaha (C), Neb.	11.0
General American (SA 8), Mo.	11.0
Shearson Lehman G/C Index	**10.7**

5-year returns

	%
United of Denver	16.1
Delaware Trust	15.9
Transamerica Life (SA T-2), Calif.	15.3
Equitable Capital (5), N.Y.	15.0
IAA Trust (B), Ill.	14.9
Sunburst Bank, Miss.	14.8
Beverly Bank, Ill.	14.6
Centerre Trust, Mo.	14.5
The Principal, Iowa	14.2
Trust Services of America, Calif.	14.1
Connecticut Nat'l	13.9
First Variable Life, Ark.	13.8
Pacific Mutual, Calif.	13.7
First Interstate of Arizona	13.7
Life of Virginia	13.6
Mutual of New York (Private)	13.6
First Kentucky Trust	13.6
Colonial American Nat'l, Va.	13.6
Travelers (SA P), Conn.	13.5
General American (SA 9), Mo.	13.5
Sanwa Bank (C), Calif.	13.5
Sovran Bank (Inst.), Va.	13.5
American Security, D.C.	13.4
First Chicago	13.4
John Hancock, Mass.	13.4
Morgan Guaranty, N.Y.	13.4
Colorado Nat'l Bank	13.3
Northern Trust, Ill.	13.2
First Interstate of California	13.1
Society Nat'l, Ohio	13.1
Harris Trust, Ill.	13.0
California First Bank	13.0
Central Fidelity (Mgd.), Va.	13.0
First Chicago (Dollar)	12.9
First Alabama Bank	12.9
Wellington Trust (Emerg.), Mass.	12.9
First Wachovia, N.C.	12.8
First Variable Life (H.Q.), Ark.	12.8
Nat'l Bank of Commerce, Neb.	12.8
Core States Investment, Pa.	12.7
Exchange Nat'l Bank, Ill.	12.7
Bankers Trust (A), N.Y.	12.7
Fidelity Bank, Pa.	12.7
Seattle First Nat'l	12.7
Seafirst Bank, Wash.	12.7
First of Omaha (C), Neb.)	12.6
Continental Illinois	12.6
Chancellor Capital, N.Y.	12.6
Metropolitan Life (SA 41), N.Y.	12.6
Connecticut Nat'l Bank (Inter.)	12.6
NCNB Texas (Long)	12.5
Union Labor Life (SA B), D.C.	12.5
Aetna life (SA 76), Conn.	12.5
CIGNA Corp. (Active), Conn.	12.5
General American (SA 8), Mo.	12.4
Shawmut Bank, Mass.	12.4
Mutual of New York (Public)	12.4
State Street Bank, Mass.	12.4
Liberty Nat'l, Ky.	12.4
Wellington Trust (G/C), Mass.	12.4
Shearson Lehman G/C Index	**12.3**

10-year returns

	%
United of Denver	13.4
Beverly Bank, Ill.	13.3
Sovran Bank (Inst.), Va.	13.1
Centerre Trust, Mo.	12.6
Pacific Mutual, Calif.	12.5
American Security, D.C.	12.4
Seattle First Nat'l	12.4
Seafirst Bank, Wash.	12.4
Fidelity Bank, Pa.	12.3
Texas Commerce (Active)	12.3
First Kentucky Trust	12.1
Life of Virginia	12.0
Sanwa Bank (C), Calif.	11.9
First Interstate of California	11.9
Hibernia Nat'l, La.	11.7
Morgan Guaranty, N.Y.	11.7
First Interstate of Arizona	11.7
First Wisconsin Asset	11.7
First Jersey Nat'l, N.J.	11.6
Central Fidelity, Va.	11.6
Connecticut Nat'l Bank	11.6
Cullen Bank, Texas	11.5
Sovran Bank/Central South	11.5
Bank of New England, Mass.	11.5
Northern Trust (Inter.), Ill.	11.4
IAA Trust (B), Ill.	11.4
Boatmen's FNB Kansas City, Mo.	11.4
Bankers Trust (B), N.Y.	11.4
Mercantile Bank, Mo.	11.3
John Hancock, Mass.	11.3
Manufacturers Detroit	11.3
Bankers Trust (A), N.Y.	11.3
Second Nat'l Bank (Emp.), Ohio	11.3
Mid-State Bancorp, Pa.	11.3
Boatmen's Nat'l, Mo.	11.2
American Nat'l Bank, Tenn.	11.2
Ameritrust (Reserve), Ohio	11.2
Merchants Nat'l, Pa.	11.2
Colonial American Nat'l, Va.	11.2
First Bank Milwaukee	11.1
First Chicago	11.1
Trustcorp Bank, Ohio	11.1
First Wachovia, N.C.	11.0
Bessemer Trust, N.Y.	11.0
Society Nat'l, Ohio	11.0
First of Maryland	11.0
Jefferson Trust, Ill.	11.0
CIGNA Corp. (Active), Conn.	11.0
Key Trust, N.Y.	11.0
Indiana Nat'l Bank	11.0
Chancellor Capital, N.Y.	11.0
Shearson Lehman G/C Index	**10.7**

Top quartile commingled equity funds

3-month returns

	%
Gary Wheaton Bank (Hedged), Ill.	5.3
U.S. Nat'l of Galveston, Texas	5.2
Nat'l Bank of Commerce, Tenn.	4.5
Employers Life of Wausau (SA 1)	3.7
Nat'l Bank of Commerce, Neb.	3.7
Union Central, Ohio	3.6
Key Trust Co. of Alaska	3.6
Associated Manitowoc, Wis.	3.4
Merchants Nat'l (I), Ind.	3.4
United Carolina Bank, N.C.	3.4
Jefferson Trust (Growth), Ill.	3.3
American Security (High yield)	3.3
New York Life (SA 6)	3.2
Merchants Nat'l (2), Ind.	3.2
LaSalle Nat'l (Intrinsic), Ill.	3.2
Provident Mutual (SA 1), Pa.	3.1
Crown Life (U.S. grp.), Ontario	3.0
Home Life, N.Y.	2.9
Equitable Capital (1), N.Y.	2.9
Bank One, Indianapolis (G)	2.7
Citizens Com.(Div. growth), Mich.	2.7
WestStar Bank, Okla.	2.7
MTrust, Texas	2.6
Associated Bank (Neenah), Wis.	2.6
Equitable Capital (4), N.Y.	2.6
Citytrust (E1), Conn.	2.5
First Jersey Nat'l, N.J.	2.5
Markston Invest. Mgmt., N.Y.	2.4
Mercantile Nat'l, Ind.	2.4
Indiana Nat'l Bank	2.4
Security Pacific, Calif.	2.4
Travelers (SA DR), Conn.	2.4
Summit Bank, Ind.	2.3
Stock Yards Bank (Trust), Ky	2.3
SLH Trust (Contrarian 6), Del.	2.2
C&S Trust Florida	2.2
John Hancock (1K), Mass.	2.1
Midlantic Nat'l, N.J.	2.1
Second Nat'l, Ohio	2.1
NCNB Texas (Income)	2.1
Gary Wheaton Bank, Ill.	2.0
Great West Life (VAAA), Manitoba	2.0
First Chicago	1.9
Bank of California	1.9
Security Nat'l Bank (II), W. Va.	1.8
Confederation Life, Ontario	1.8
Sentry Equity (SA B), Wis.	1.8
Bank of New York	1.7
Banc One Asset (Corp.), Ohio	1.7
Security Pacific (B), Calif.	1.7
Sanwa Bank (D), Calif.	1.7
Lincoln Nat'l Pens. (Select), Ind.	1.7
First Interstate Billings, Mont.	1.7
Associated Kellog, Wis.	1.6
Key Trust, N.Y.	1.6
Central Bank Monroe, La.	1.6
Firstier Bank	1.6
First Nat'l Mercantile (A), Mo.	1.6
Chicago Title & Trust	1.6
Stock Yards Bank, Ky.	1.6
MTrust (Growth), Texas	1.5
Unibanctrust, Ill.	1.5
Capital Trust (I), Ore.	1.5
Security Nat'l Bank, W. Va.	1.4
Prudential (PRIFORM low p/e)	1.4
Wilmington Trust (Value), Del.	1.4
Citizens Com. (Value), Mich.	1.4
Bank of Oklahoma, Tulsa	1.4
Harris Trust (Low p/e), Ill.	1.4
American Nat'l Chicago (Active)	1.3
Bishop Trust, Hawaii	1.3
Nat'l City Cleveland	1.3
First Trust Corp., Colo.	1.2
SLH Trust (Value 4), Del.	1.2
Bank of Delaware (VIP)	1.2
Dominion Trust (Corp.), Va.	1.2
Standard & Poor's	**0.3**

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Top equity funds by size

1-year returns

Over $100 million

	%
First Chicago, Ill.	16.5
Markston Invest. Mgmt.	0.6
Fidelity Mgmt. (Inc.), Mass.	1.1
First Jersey Nat'l, N.J.	3.4
U.S. Nat'l Oregon (Qualivest)	3.9
Massachusetts Mutual	6.3
Provident Capital, Pa.	6.4
Nat'l Bank of Detroit	7.0
Meridian Trust, Pa.	7.1
Mutual of New York (Income)	7.4

$50 million to $100 million

	%
Travelers (SA), Conn.	1.3
NCNB Texas (Divers.)	0.0
Sovran Bank (Ind.), Va.	0.5
Centerre Trust, Mo.	1.5
The Phoenix, Conn.	2.9
Sentry Equity (SA B), Wis.	4.3
Bank of California (Income)	6.1
Chicago Title & Trust	6.6
Chancellor (Stock-S&P 100)	7.1
American Security, D.C.	7.8

$10 million to $50 million

	%
U.S. Nat'l of Galveston, Texas	3.1
Nat'l Bank of Commerce, Tenn.	0.8
Jefferson Trust (Growth), Ill.	0.7
Crown Life (U.S. grp.), Ontario	0.3
First Fidelity (Disc.), N.J.	0.2
First of Maryland	0.5
Liberty Nat'l, Ky.	1.7
American Nat'l, Minn.	2.1
SEH Trust (Value 4), Del.	2.7
Central Bank Monroe, La.	2.8

Under $10 million

	%
PW Trust (Conserv.), N.J.	11.4
Gary Wheaton (Hedged), Ill.	4.0
Security Nat'l, W. Va.	1.2
State Bank (C), Ohio	1.1
American Security (Hi yield)	2.0
First Interstate of Oregon	3.9
Bank One Indianapolis (C)	4.3
Security Nat'l (II), W. Va.	4.5
United Carolina, N.C.	5.0
Calcasieu Marine (E), La.	5.1

10-year returns

Over $100 million

	%
Sun Bank, Fla.	22.3
Manufacturers Life, Ontario	20.5
First Union Bank, N.C.	19.4
U.S. Nat'l Oregon (Qualivest)	18.9
Bessemer Trust, N.Y.	18.7
Union Labor Life (SA A), D.C.	18.6
Provident Capital, Pa.	18.0
MTrust (Growth), Texas	17.9
Equitable Capital (4), N.Y.	17.8
Manufacturers Detroit	17.2

$50 million to $100 million

	%
The New England (Sep. cap.)	18.2
NCNB Texas (Divers.)	17.6
Sentry Equity (SA B), Wis.	16.6
Sovran Bank, Va.	16.4
The Phoenix, Conn.	16.3
Continental Bancorp, Pa.	16.1
Texas Commerce (Divers.)	16.1
First Wisconsin Asset (A)	16.1
Mercantile Safe, Md.	15.9
Chase Manhattan (B), N.Y.	15.7

$10 million to $50 million

	%
First Fidelity (Disc.), N.J.	19.9
Guardian Ins. (VA 1), N.Y.	19.0
First Interstate of Oklahoma	18.9
United of Denver	18.8
U.S. Nat'l of Galveston, Texas	18.3
Confederation Life, Ontario	17.7
MTrust (Value), Texas	17.7
First Trust Corp., Colo.	17.5
Home Life, N.Y.	17.5
First of Omaha (D), Neb.	17.3

Under $10 million

	%
First N.H. Investment (A)	18.2
First Interstate of Oregon	17.2
Wheeling Dollar Bank, W. Va.	17.1
Second Nat'l, Ohio	15.5
Unibanctrust, Ill.	15.4
First Nat'l of Commerce, La.	15.0
Merchants Nat'l (2), Ind.	14.9
Bank of California (Inc. growth)	14.4
Puget Sound Nat'l, Wash.	14.1
Associated Manitowoc, Wis.	14.0

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(Pensions & Investment Age 8/22/88)

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The Legend Continues.

Sun Bank

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1-year returns

	%
First Chicago	16.5
PW Trust (Conserv.), N.J.	11.4
Gary Wheaton Bank (Hedged), Ill.	4.0
Union Central, Ohio	3.6
U.S. Nat'l of Galveston, Texas	3.1
Travelers (SA), Conn.	1.3
Security Nat'l Bank, W. Va.	1.2
Nat'l Bank of Commerce, Tenn.	0.8
Jefferson Trust (Growth), Ill.	0.7
Crown Life (U.S. grp.), Ontario	0.3
NCNB Texas (Diverse)	0.0
First Fidelity (Discr.), N.J.	0.2
Sovran Bank (Inst.), Va.	0.5
First of Maryland	0.5
Markston Invest. Mgmt., N.Y.	0.6
Fidelity Mgmt. (Income), Mass.	1.1
State Bank (C), Ohio	1.1
Centerre Trust, Mo.	1.5
Liberty Nat'l, Ky.	1.7
American Security (High yield)	2.0
American Nat'l, Minn.	2.1
SLH Trust (Value 4), Del.	2.7
Central Bank Monroe, La.	2.8
The Phoenix, Conn.	2.9
Beverly Bank, Ill.	3.2
First Jersey Nat'l, N.J.	3.4
Shawmut Bank, Mass.	3.5
First Interstate of Oregon	3.9
U.S. Nat'l of Oregon (Qualivest)	3.9
First American of Georgia	4.1
Sentry Equity (SA B), Wis.	4.3
United of Denver	4.3
Bank One, Indianapolis (C)	4.3
Home Life, N.Y.	4.3
State Street (Matrix syn.), Mass.	4.5
Security Nat'l (II), W. Va.	4.5
Chancellor (Stockshift 200), N.Y.	4.6
NCNB Texas (Income)	4.6
Colorado Nat'l Bank	4.6
Key Trust, N.Y.	4.7
MTrust (Value), Texas	4.7
Stock Yards Bank (Trust), Ky.	4.9
Dominion Trust (Corp.), Va.	5.0
Bank One Indianapolis (G)	5.0
C&S Trust Florida	5.0
United Carolina Bank, N.C.	5.0
First of Omaha (D), Neb.	5.1
Guardian Ins. (VA 1), N.Y.	5.1
Calcasieu Marine Nat'l (E), La.	5.1
Harris Trust (Low p.e.), Ill.	5.1
Mercantile Nat'l, Ind.	5.2
First N.H. Investment (A)	5.2
Cullen Bank, Texas	5.3
WestStar Bank, Okla.	5.5
Wilmington Trust (Growth), Del.	5.6
Confederation Life, Ontario	5.7
Southeast Bank, Fla.	5.7
Citizens Com. (Value), Mich.	5.8
LaSalle Nat'l (Instrinsic), Ill.	5.9
South Carolina Nat'l	6.0
Bank of California (Income)	6.1
Bank of Oklahoma, Tulsa	6.2
Pioneer Bank, Ill.	6.3
First Alabama Bank (I)	6.3
Massachusetts Mutual	6.3
Provident Capital, Pa.	6.4
Mid-State Bancorp, Pa.	6.5
Nat'l Bank of Commerce, Neb.	6.6
Chicago Title & Trust	6.6
First Variable Life, Ark.	6.6
First Interstate of Oklahoma	6.7
Indiana Nat'l Bank	6.8
Citizens Fidelity (E), Ky.	6.8
First Illinois (Personal)	6.9
Stock Yards Bank	7.0
State Street Bank (I), Mass.	7.0
Maryland Nat'l	7.0
Nat'l Bank of Detroit	7.0
Standard & Poor's	**12.4**

3-year returns

	%
Bank One, Indianapolis (C)	28.8
State Bank (C), Ohio	26.8
Sun Bank, Fla.	26.4
South Carolina Nat'l	23.7
California First Bank	23.2
SLH Trust (Value 4), Del.	23.2
NCNB Texas (Diverse)	23.1
State Street (Matrix syn.), Mass.	22.5
Capital Trust (I), Ore.	22.2
First Chicago	22.1
First Fidelity (Disc.), N.J.	21.6
Harris Trust (Low p/e), Ill.	21.1
Guardian Ins. (VA 1), N.Y.	21.1
First Illinois (Corp.)	20.9
Cullen Bank, Texas	20.9
Chancellor (Multifact), N.Y.	20.8
SLH Trust (Flex 7), Del.	20.8
Crown Life (U.S. grp.), Ontario	20.8
United of Denver	20.8
First Illinois (Personal)	20.5
NCNB Texas (Income)	20.3
Sovran Bank, Va.	20.1
Citizens Fidelity (E), Ky.	19.9
Firstier Bank	19.9
First of Maryland	19.9
Harris Trust, Ill.	19.8
Southtrust Bank, Ala.	19.8
First Security Nat'l (D), Ky.	19.8
State Street Bank, Mass.	19.7
U.S. Nat'l of Oregon (Qualivest)	19.6
Bank of New York	19.6
Associated Bank (Neenah), Wis.	19.6
First Fidelity Bank, N.J.	19.6
College Ret. Equities Fund	19.5
Nat'l Bank of Commerce, Tenn.	19.5
IDS Trust (A), Minn.	19.5
Puget Sound Nat'l, Wash.	19.4
Associated Manitowoc, Wis.	19.4
First Interstate of Oklahoma	19.4
Dominion Trust (Corp.), Va.	19.2
American Nat'l, Minn.	19.2
Chase Investors (Index), N.Y.	19.2
U.S. Nat'l of Galveston, Texas	19.1
John Hancock (1K), Mass.	19.1
Mutual of New York (Income)	19.1
Markston Investment Mgmt., N.Y.	19.0
State Street (Value I), Mass.	19.0
Employers Life of Wausau (SA 1)	19.0
The Phoenix, Conn.	18.9
First Interstate California (Index)	18.9
Maryland Nat'l	18.9
Wellington Trust (Div. growth)	18.9
Confederation Life, Ontario	18.7
Meridian Trust, Pa.	18.7
Travelers (SA), Conn.	18.6
Chancellor (Indexplus), N.Y.	18.6
Pioneer Bank, Ill.	18.5
First American of Georgia	18.5
Nat'l City Cleveland	18.5
Bankers Trust (Index), N.Y.	18.5
Morgan Guaranty (Large co.)	18.4
The Principal, Iowa	18.4
Security Pacific (E), Calif.	18.4
Home Life, N.Y.	18.4
Valley Nat'l (I), Ariz.	18.4
First N.H. Investment (A)	18.4
Standard & Poor's	**18.3**
Beverly Bank, Ill.	18.3
State Street Bank (S&P)	18.3
Barnett Banks, Fla.	18.3

5-year returns

	%
Sun Bank, Fla.	24.0
State Bank (C), Ohio	19.1
NCNB Texas (Divers.)	18.5
First Fidelity (Disc.), N.J.	18.1
Cullen Bank, Texas	17.7
MTrust (Value), Texas	17.5
Guardian Ins. (VA 1)	17.4
First Interstate of Oregon	17.1
Nat'l Bank of Commerce, Tenn.	17.1
First of America, Mich.	16.9
U.S. Nat'l of Galveston, Texas	16.9
Mellon Equity Associates	16.5
Union Labor Life (SA A), D.C.	16.5
First N.H. Investment (A)	16.4
First Chicago	16.3
First of Omaha (D), Neb.	16.2
Nationwide Life, Ohio	16.1
Manufacturers Detroit	16.1
Bank of New England (Valuepath)	16.1
Mutual of New York (Income)	16.0
Meridian Trust, Pa.	15.9
The Phoenix, Conn.	15.9
Barnett Banks, Fla.	15.9
Associated Bank (Neenah), Wis.	15.9
Sovran Bank, Va.	15.8
Colorado Nat'l Bank	15.8
First American of Georgia	15.7
Citizens Fidelity (E), Ky.	15.7
Citytrust (E1), Conn.	15.7
SLH Trust (Directions 1), Del.	15.7
John Hancock (1K), Mass.	15.6
Dominion Trust (Corp.), Va.	15.6
First Alabama (I)	15.6
C&S Trust Florida	15.5
Confederation Life, Ontario	15.5
NBD Trust, Ill.	15.5
College Ret. Equities Fund	15.3
Frost Nat'l (A), Texas	15.3
Morgan Guaranty (Large co.)	15.3
Pioneer Bank, Ill.	15.3
Sentry Equity (SA B), Wis.	15.1
First Security Nat'l (D), Ky.	15.0
First Union Bank, N.C.	15.0
Northern States Trust, Ill.	14.9
First of Maryland	14.9
First Trust Corp., Colo.	14.9
LaSalle Nat'l (Instrinsic), Ill.	14.9
Associated Manitowoc, Wis.	14.9
Lake Shore Nat'l, Ill.	14.9
First Fidelity, N.J.	14.9
Bankers Trust (Index), N.Y.	14.9
Provident Capital, Pa.	14.9
Signet Trust, Va.	14.8
New Jersey Nat'l	14.8
Ameritrust (Divers.), Ohio	14.8
Fidelity Mgmt. (Income), Mass.	14.8
Wells Fargo (Index), Calif.	14.8
Chancellor Capital (Indexplus)	14.7
Standard & Poor's	**14.7**

THE STRONG. THE BRILLIANT.

Risky technique

Continued from page 17

doesn't characterize the portfolio managers as traders most of the time.

"We're always looking for new ideas," he said. "President Reagan has come up with new agency paper that's very attractive and has made money with extra yield.

"In sector analysis, we're careful about event risk. Right now, we're almost completely out of corporates."

The portfolio consists of 50% long Treasuries, 30% mortgages and 20% agencies, Mr. Franklin said.

A fund run by Beverly Trust Co., Chicago, ranked second for the year with 18.6%, and Separate Account 9 of the General American Life Insurance Co., St. Louis, was third with with 17.5%.

Beverly concentrates its holdings on high-coupon corporate bonds with short calls, according to President Ron Stajkowski. He said the fund has done very little trading in the past year, but if interest rates have peaked, as he believes, he will sell and extend from his current holdings. Holdings include **Santa Fe Southern Pacific Corp.** and **Litton Industries Inc.**

A perennial PIPER winner, the $40 million Collective Employee Benefit Fund run by United Capital Management of Denver for United Bank of Denver, placed first for the three-, five- and 10-year periods ended Sept. 30, with compound annualized returns of 15.2%, 16.1% and 13.4% respectively.

The fund anticipates major changes in interest rates, according to W. Lon Schreur, president of United Capital Management. It is invested 50% in U.S. government bonds and 50% in A-rated, short-term corporates.

Bonds were kept "at a 22-year average life from 1981 to 1986, because we thought the value of the dollar was going down and the industry sector was strengthening," Mr. Schreur said.

The average life then went to six years and has decreased steadily since 1986 to about three years, Mr. Schreur said.

Although he doesn't see a recession now, he believes it's coming early next year, and he expects the average life of the bonds in the fund will be extended again.

Ranking second for the three-year period was the Delaware Trust fund, with a compound annualized 15.2%. Equitable Capital Management Corp., New York, was third, with an annualized 14.6%. ■

Value in equities

Continued from page 17

Communications Corp. and **Deere & Co.**

The fund tends to be overweighted in financial stocks, he said, and has no exposure to small technology stocks.

In second for the year was the conservative equity fund of PW Trust Co., Secaucus, N.J.

This fund returned 11.37% for 12 months, its first full year of operation. The $2 million fund is managed by McBryan, Malone & Russell of Reading, Pa. In the quarter, it returned 1.02%.

"The fund generally has to be fully invested," said Bill Russell, partner in McBryan, Malone & Russell.

He said the fund's strong performance is due in part to its writing covered call options against the stocks held.

Dave Kinard, president of PW Trust, said the fund will buy stocks that are "the least likely to go down," and it will hold the stocks until someone exercises the options and buys the stock.

The top performer for the three-year period was the Retirement Fund C fund managed by Bank One of Indianapolis, with a 28.85%. For the same period, the S&P 500 returned 18.3%, while the PIPER median returned 16.6%.

All PIPER returns for periods of more than one year are compound annualized.

The corporate equity fund of Sun Banks, Orlando, Fla., returned 26.42% for the three-year period, finishing third. The $380 million fund is actively managed and has a historic turnover of 200%, according to Tony Gray, president of Sun Bank Investment Management Group.

The Sun Banks fund was the top performer for the five- and 10-year periods as well, although it has fallen to the seventh and sixth deciles for the quarter and year, respectively.

For the five-year period, it returned a compound-annualized 23.97%, compared with a 14.72% return for the S&P 500 and a PIPER median return of 12.95%.

For the 10 years, the fund topped the PIPER performers, with a 22.3% return, compared to an S&P 500 return of 15.42% and a PIPER median return of 14.75%. ■

Massachusetts Mutual	14.7
State Street Bank (S&P)	14.7
Irving Trust, N.Y.	14.7
Chase Investors (CMB index)	14.7

10-year returns

	%
Sun Bank, Fla	22.3
Manufacturers Life, Ontario	20.5
First Fidelity (Disc.), N.J.	19.9
First Union Bank, N.C.	19.4
Guardian Ins. (VA 1), N.Y.	19.0
U.S. Nat'l of Oregon (Qualivest)	18.9
First Interstate of Oklahoma	18.9
United of Denver	18.8
Bessemer Trust, N.Y.	18.7
Union Labor Life (SA A), D.C.	18.6
U.S. Nat'l of Galveston, Texas	18.3
The New England (Sep. cap.)	18.2
First N.H. Investment (A)	18.2
Provident Capital, Pa	18.0
MTrust (Growth), Texas	17.9
Equitable Capital (4), N.Y.	17.8
Confederation Life, Ontario	17.7
MTrust (Value), Texas	17.7
NCNB Texas (Diverse)	17.6
First Trust, Colo	17.5
Home Life, N.Y.	17.5
First of Omaha (D), Neb	17.3
First Interstate of Oregon	17.2
Manufacturers Detroit	17.2
Wheeling Dollar Bank, W. Va	17.1
Nationwide Life, Ohio	16.9
Massachusetts Mutual	16.9
Employers Life of Wausau (SA 1)	16.8
C&S Trust Florida	16.7
Nat'l Bank of Commerce, Neb	16.7
First Fidelity, N.J.	16.7
Sentry Equity (SA B), Wis	16.6
Lake Shore Nat'l, Ill	16.6
Markston Invest. Mgmt., N.Y.	16.5
Citytrust (E1), Conn	16.5
State Street Bank, Mass	16.5
Colorado Nat'l Bank	16.5
American Nat'l Chicago (Active)	16.5
Signet Trust, Va	16.4
Core States Invest., Pa	16.4
Sovran Bank (Inst.), Va	16.4
The Principal, Iowa	16.3
The Phoenix, Conn	16.3
Nat'l City Cleveland, Ohio	16.2
Continental Bancorp, Pa	16.1
Texas Commerce (Divers.)	16.1
First Wis. Asset (Growth A)	16.1
Dominion Trust (Corp), Va	16.1
Connecticut Mutual	16.0
Mercantile Safe, Md	15.9
Mutual of New York (Income)	15.9
Firstier Bank	15.9
Citizens Fidelity (E), Ky	15.9
Aetna Life, Conn.	15.9
Standard & Poor's	**15.4**

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* Pacific Mutual Managed Bond Fund III total annualized rate of return as published by SEI Corp. for periods ending December 31, 1987

WINTER 1988

PROPERTY

A Pensions & Investment Age Supplement on Real Estate

Photo by Doug Miller

Urban developer looking for profits down on the farm

Jack Straton oversees Crow Farms, the latest real estate investment strategy of Trammell Crow. Mr. Crow, best known as the world's largest urban developer, has farm holdings totaling 53,000 acres on six southern plantations — Page P7.

Las Colinas sale imminent

By Andrew Reinbach

Teachers Insurance and Annuity Association and JMB Realty Corp expect to acquire a large joint interest in Las Colinas, the 12,000-acre planned community outside Dallas, in a complex transaction that will take Southland Financial Corp private and leave the family that created Las Colinas with a majority of its equity, but virtually no control.

Although negotiations with creditors are incomplete, a picture of the structure of the deal emerges from documents filed with the Securities and Exchange Commission and from interviews with the parties involved.

- The Carpenter family of Dallas (headed by Ben H Carpenter, the developer of Las Colinas and head of Southland Financial, Las Colinas' parent company) would get general partnership interests in 60% of 2,300 acres of undeveloped land in Las Colinas, and 49.9% of the remainder of Southland once Las Colinas and Southland are spun off into separate entities.
- JMB, Chicago, would get general partnership interests in 20% of the land entity and 25% of the Southland entity.
- TIAA, New York, would be a limited partner in 20% of the land and 25.1% of Southland.

But the Carpenters would have no say over the management of the citylike development they created, although two family members would be on the five-person executive committee. Two committee members would come from JMB, and one from TIAA.

The Carpenters' only active role would be as property managers, under a contract that, after two years, becomes an annual contract that could be canceled with 30 days' notice. The Carpenters also would pay all the expenses of the management company, and transaction costs of up to $2 million for TIAA and JMB.

If the deal is complete, TIAA will pay $2 per share, or more than $33.5 million, to acquire Southland's outstanding shares. The $11.8 million the Carpenters will get as owners of 35.2% of Southland would be contributed to the new partnership.

Strategic planning and control of both entities would pass to JMB, which gets a $12.5 million transaction fee if the deal closes. JMB also would be paid $1 million per year and 3.1% of the gross operating income, and would get at least 50% in the equity of any future development.

TIAA gets a $250 million participating mortgage with a base rate of 11.6%, of which 7% accrues to a periodically paid-down account designed to keep the loan-to-value ratio at 75%. If the Carpenters get a better offer within 18 months of closing, TIAA gets a $2.5 million fee. TIAA and JMB also have certain limited partnership options on the nine non-land assets, which will be retained and actively managed.

The parties have been negotiating since January; John Somers, TIAA's senior vice president for real estate, said he hopes to have a signed deal by year end.

Continued on page P10

China emerges

6 U.S. projects under way

By Andrew Reinbach

NEW YORK — The People's Republic of China has entered the U.S. real estate market, choosing to develop, rather than buy, properties.

The China State Construction Engineering Corp — U.S. Inc. mainly is developing residential properties, but representatives say they can finance any project that pays, and are looking at developing commercial property as well.

"We are not interested in buying and selling like the Japanese," said Cao Wanhua, executive vice president in charge of the U.S. venture. "And since we are not familiar with the market, it is hard to say what the target of the portfolio is. We are starting our market study, and at this time it is difficult for me to say how much money we would invest."

China State has been in a Manhattan suite since January. The firm is building six projects nationwide, including an 85-acre marina and housing development for which land negotiations are under way in Waikiki Beach, Hawaii; 224 condominiums in Middletown, N.Y.; the 500-unit Lanterna Park housing development in Jacksonville, Fla.; 418 retirement apartments in Atlanta; and a single-family residential development in Somers, N.Y., intended to capitalize on a large facility being built there by International Business Machines Corp.

Although most of the projects are joint ventures with local developers, China State is sole developer in Jacksonville.

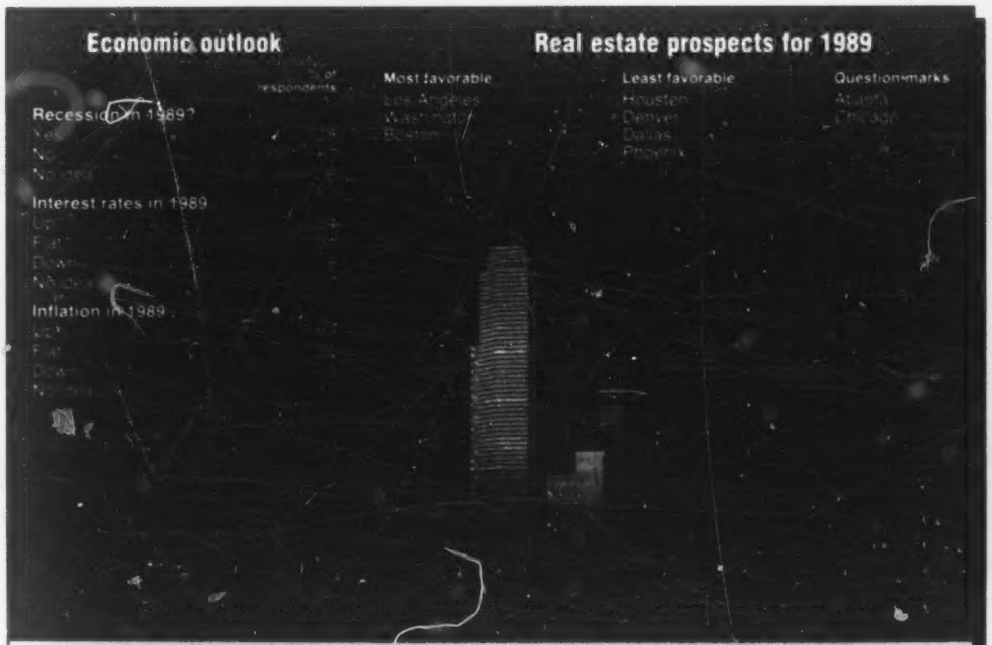
China State is not a government entity. "We are a state enterprise and not (acting) on behalf of the government," Mr. Cao said. "I am a businessman. We borrow money, and pay the money back with interest. We are totally responsible for repayment of the loans, and must repay them from the income of the projects."

Mr. Cao said his firm has lines of credit with the Hong Kong Shanghai Bank, the Bank of China and the Kawah Bank, Hong Kong. He also is working with Paul Theil, a senior associate at Morgan Stanley & Co., New York, and Steven Orlins, a Hong Kong-based managing director of Shearson Lehman Hutton Inc.

The amount of money available "depends on the project itself, and on the income produced by the project. If the project itself looks good, we can get the financing," he said.

"They're going to function as effectively as the Japanese, and become very skilled in acquiring expertise, and very efficient at using the expertise of their local partners," said Stan Ross, a managing partner at Kenneth Leventhal & Co., Los Angeles. Leventhal has produced several feasibility studies for China State. "But they won't become major

Continued on page P11



Next year's strategies are this year's trends

By Chuck Paustian

Real estate professionals might want to look back to better understand where they are going.

Indeed, the economic, financing and investing outlooks for 1989 appear to be a repeat of 1988, with a resurgence of some strategies and an expansion of others begun in 1988.

Interviews by PROPERTY and those from the report, "Emerging Trends in Real Estate: 1989" (prepared by Real Estate Research Corp., Chicago, and underwritten by Equitable Real Estate Investment Management Inc., New York) show:

- An abundance of real estate equity capital will be available — leading investment firms have about $10.4 billion in equity capital to invest for their pension fund clients alone — but the limited supply of top-quality properties will hamper the investment process.
- Traditional realty lenders will remain cautious in their financing activities next year, especially in the office sector, where overbuilding continues to be a major concern.
- Increased competition among both foreign and domestic institutional investors and the limited supply of quality properties

Continued on page P13

Next strategies

Continued from P1

will force investors to broaden their horizons and consider such financing vehicles as participating mortgages and such investment opportunities as raw land.

- Some of the more intriguing deals of 1988 — corporate real estate transactions and contrarian, opportunistic approaches to depressed markets, such as the Oil Patch — should remain attractive sources of deals next year.

- Most financiers and investors are not expecting a recession in 1989 and think interest rates and inflation will increase, but by no more than 100 basis points.

Private capital sources, including banks, insurance companies and pension funds, will continue to dominate real estate financing activity.

Salomon Brothers data show an estimated $140 billion in commercial, long-term mortgages will be originated in 1988, down from $170 billion in 1987. Commercial mortgage securities issues through the end of September totaled about $5 billion, compared with $8.75 billion in 1987.

Data from Alex. Brown & Sons Inc., Baltimore, show a similar drop in public equity financings. As of Oct. 31, there were 14 offerings totaling about $900 million, compared with 22 real estate equity offerings totaling $1.2 billion in 1987.

Private sources of equity financing are expected to remain plentiful, as domestic pension funds and foreign investors continue to expand their real estate portfolios. The leading real estate investment managers of pension fund assets, for example, had a total of about $94.6 billion under management as of June 30, of which $72.5 billion was earmarked for equity investments.

Real estate equity investors, however, will find it difficult to put their money to work. Of the $72.5 billion already placed with real estate advisers, about $10.4 billion had yet to be invested.

According to the RERC report and other executives, the dearth of quality opportunities is the result of several factors: a slowdown in construction activity as a result of overbuilding in many markets, low turnover of existing properties, and the difficulty in keeping a property in the top echelon of the market.

"There's a lot more money available to invest than there is good real estate product to either finance or buy," said Philip J. Ward, senior vice president at CIGNA Investments Inc., Hartford, Conn.

"We bought a shopping center a couple months back. There were seven bidders on that property," noted Robert H. Gidel, managing director of Alex. Brown Realty Advisors Inc., Baltimore. "With seven bidders, you kind of wonder what you've won."

Real estate equity investors, however, may be able to take advantage of a slowdown in lending activity by commercial banks, savings and loan associations and insurance companies.

"I would label it continued cautiousness," said Raymond Smith, senior vice president-commercial real estate finance at Aetna Realty Investors Inc., Hartford, Conn. "We stopped doing to-be-built speculative office buildings about three to four years ago. For us to do any office buildings, they would have to be substantially leased and generate an income stream that comfortably covered debt service."

While debt financing for office buildings will be the most severely strained, lenders also will pull back on strip shopping centers; they are expected to remain remain aggressive on major malls.

James A. Hively, director-finance in the real estate department at Salomon Brothers Inc., New York, said any decline in fixed-rate debt financing could hurt developers that have been carrying projects with low, floating-rate debt.

"I think you're going to see people going to interest rate protection vehicles," said Mr. Hively, adding developers might use interest rate caps or refinance floating-rate debt at a fixed rate.

Several observers predicted an increase in participating mortgage activity as institutional investors, looking to invest their money, agree to provide fixed-rate debt financing in exchange for an equity position.

Real estate observers expect yields, which were between 11% and 12% in June, to continue their downward trend next year.

"Is it going to be business as usual? No," said Richard Collier, senior managing director at Bear Stearns & Co. Inc., New York.

"I think the new money is going to go increasingly toward a higher-performance asset."

Non-traditional investment areas mentioned by real estate professionals include timberland, land development, apartments and development deals. Others suggested a more contrarian approach to investing.

"It's a very good time to buy quality real estate, and I'd underline quality, in economically depressed areas such as the Southwest," noted B. Thomas Willison, vice president in the asset management and pension services department at The Travelers Corp., Hartford, Conn.

The executives said corporate real estate deals were the most significant transactions of 1988, more for the amount of activity this area is expected to generate in 1989 than for the financial structure of the deals.

Among the big corporate property deals so far this year are the $400 million sale to Prudential Mortgage Capital Co., Newark, N.J., of Chicago-based Santa Fe Southern Pacific Corp.'s income-producing properties and the $550 million acquisition of McCormick Properties Inc., a subsidiary of Baltimore-based McCormick & Co. Inc., by a joint venture between the Teacher's Insurance and Annuity Association — College Retirement Equities Fund, New York, and The Rouse Co., Columbia, Md.

About two-thirds of the executives interviewed for the RERC report and all of those contacted by PROPERTY said they did not expect a recession in 1989.

Regarding interest rates and inflation, most professionals anticipate only slight increases. Of those interviewed for the RERC report, 54% expect interest rates to climb, while 63% said the inflation rate will increase.

Executives contacted by PROPERTY generally agreed with the report. Bear Stearns' Mr. Collier, however, held a dissenting opinion on interest rates.

"I sense that interest rates will soften through mid-year," he said, adding interest rates could fall by 50 to 100 basis points.

There was more agreement among the executives about the inflation rate. "You have a fairly tight employment situation, but overall, wage pressure and other pressures are not dramatic," said Mr. Collier. ■

Foreigners

Continued from page P12

products, including its Courtyard hotels, which compete against Holiday Inns, he noted.

Marriott also is expanding its Fairfield Inns, an economy-class chain. This type of expansion into particular niches is called segmenting. In most cases, said Mr. Wheeler, the financing for segmenting is being done in-house.

Savings and loan associations, significant lenders to the hotel industry in the past, have reduced their hotel lending because of overall problem loans.

Financing from syndicators also has dropped off because tax law changes encourage them to lend only on economically viable hotels.

Pension funds, meanwhile, are increasing their lending on hotels, but are still considered a small player.

Hotel construction down

With less money for financing of hotels, and with foreigners primarily investing in existing hotels, hotel construction is down.

A Salomon Brothers report said new construction contract awards for hotels dropped 39% during the first half of 1988 from its midyear 1986 peak. This downtrend is expected to continue through 1989.

But demand for hotel rooms has been rising. In 1986, total hotel room demand increased 4.6% vs. a 4.1% increase in supply. In 1987, demand increased 5.3% and supply, 3.9%.

With rising demand and slower construction of hotel rooms, the years 1990 to 1995 could be good ones for the hotel industry. ■

AUTHORITATIVE

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Texas voters approved an amendment to the state constitution creating the Texas Growth Fund for investment in venture capital enterprises and small businesses within the Lone Star State.

Texas fund execs wary of new plan

By Fred Williams

AUSTIN, Texas — A provision to establish a state investment fund to help stimulate the Texas economy has encountered resistance from the state's major public retirement systems only days following its approval by voters Nov. 8.

The amendment to the state constitution creating the Texas Growth Fund will allow venture capital and direct investments in new and growing Texas businesses. The amendment specifically cited the Employees Retirement System of Texas, the Teacher Retirement System of Texas, the Texas Permanent School Fund and the Texas Permanent University Fund as major contributors.

Michael Patrick, the University of Texas system vice chancellor for asset management who helped draft the ballot provision, said, however, other municipal pension funds also may contribute to the Texas Growth Fund.

"I understand any public plan created by the Texas Constitution, including some city, fire and police funds, may participate."

Supporters claim the fund — which could grow to more than $300 million if the four major plans contributed the maximum allowed — would help stimulate economic development in Texas by providing seed money and investment capital for businesses in the state.

Mr. Patrick said the purpose of the fund is to establish a viable investment alternative for the funds as well as to help stimulate the state economy.

He said up to 10% of the Texas Growth Fund may be invested in venture capital deals. Of that portion, 75% would have to be invested through professional third-party venture capital asset managers. Up to 50% of the fund may be invested in debt or equity holdings for plant facility modernization, expansion or relocations. The remaining 40% could be invested in various ways including stocks, bonds, leveraged buy-outs or recapitalizations of Texas businesses.

"The investment standard for the fund is the prudent man standard. In my mind, that means that the fund must be invested professionally and in a serious attempt to make money for the fund and investors," Mr. Patrick said in response to critics who view the fund as a possible political tool of the Legislature and those who believe the fund will become a lender of last resort for businesses.

But the fund apparently does not have full support. Officials at the teachers, public employees and school systems are less than enthusiastic about the program.

"I don't see any particular benefit from it" to the teachers fund, said Joe Perrone, chief investment officer at the $17.5 billion teachers system. "I cannot see where this fund would gain anything by turning $100 million over to another body to invest in something we don't know much about.

Continued on page 36

In-state programs

CDs used to assist small businesses

By Trudy Ring

The Colorado Fire and Police Pension Association, Englewood, has committed $10 million to a program to help small businesses in its state, while on a larger scale, four other public funds are looking into a similar, but federally sponsored, program.

Under both programs, assets are invested in certificates of deposit from local banks, which then use the money to make loans to small businesses.

The $560 million Colorado fire and police fund assets will be invested in certificates that provide a return about 30 basis points above that of 10-year Treasuries, said Johnnie Rogers, executive director. To date, the fund has bought one 10-year certificate and one seven-year one, but both have a return pegged to the 10-year Treasury, he said.

United Bank of Skyline, Denver, is the main lender in the program and made its first loan in September, he said. The certificates are guaranteed by the Federal Deposit Insurance Corp.

"It's a good deal for the bank, it's a good deal for the small businesses and it's a good deal for the pension fund," Mr. Rogers said.

The targeted funds for the federal program are the $8.8 billion Oregon Public Employes Retirement System, Salem; the $6.4 billion Arizona State Retirement System, Phoenix; the $2.7 billion Illinois State Board of Investment, Chicago; and the $800 million Cincinnati Retirement System.

None of the funds has yet decided to invest assets.

The National Development Council, New York, is coordinating the program, under the sponsorship of the Department of Housing and Urban Development. The council is a non-profit organization that assists cities and states with economic development.

The impetus for the program came from HUD, said Dorothy Harper, a director of the National Development Council. Finding funds for economic develop-

Continued on page 37

State systems pump $2.2 billion toward LBO treasure chest

By Curtis Vosti

Nine of the 12 state pension funds known to be involved in leveraged buy-out funds have committed more than $2.2 billion, and although a critical eye is cast toward those investments these days, the market is still active.

Of the three funds that confirmed their participation but could not or would not provide commitment figures, one — the Washington State Investment Board — did note $500 million of its total commitment has not yet been drawn.

A year ago, the Washington fund valued its leveraged buy-out investments at $990 million, according to *Pensions & Investment Age*'s profiles of the nation's 200 largest pension funds (*P&I Age*, Jan. 25). The remaining two, the Michigan State Employees' Retirement Systems and the New York State & Local Retirement Systems, listed their investments at $110 million and $218 million, respectively, last year.

Public pension fund investment in leveraged buy-outs could jump another billion or more next year, as the $46 billion California Public Employees' Retirement System considers its initial foray into the field.

Even public pension systems whose executives have considered — and rejected — investments in leveraged buy-outs are being besieged by hungry buy-out firms seeking additional assets.

Joe Perrone, chief investment officer of the $17.5 billion Teacher Retirement System of

Continued on page 35

State pension fund commitments to leveraged buy-out funds

	$ millions
Wisconsin Investment Board	700
Oregon Public Employes	600
Iowa Public Employees	375
Minnesota State Board	190
Massachusetts PRIM	150
Illinois State Board	100
Utah State Retirement	100
Pennsylvania State Employes	33
Montana Board of Investments	25
New York State & Local	NA
Michigan State Employees	NA
Washington State Investment	NA

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Control

Continued from page 34

unable to do so in order to protect a corporate confidence — must abstain from trading in or recommending the securities concerned while the information remains undisclosed

To keep the representative director from even inadvertently passing on to the institutional investor/fiduciary such inside information about the corporation, the investor would have to establish effective internal procedures and safeguards Without these safeguards, the investor could be subject to lawsuit as the receiver of inside information

Even more troubling is the possible treatment of the investor as a constructive director of the corporation under the deputization doctrine The doctrine, as applied in Feder vs Martin Marietta Corp , holds that when a director acts as another corporation's deputy, that corporation constructively becomes the director

In Feder Sperry Rand stock was being bought and sold by Martin Marietta while Martin Marietta's chief executive officer was serving on Sperry's board The court held Martin Marietta constructively was a director of Sperry Rand because it had "deputized" its chief executive to act on its behalf Martin Marietta had to disgorge its profits (as required by the 1934 Securities and Exchange Act) from purchases and sales of Sperry Rand stock

If the deputization doctrine is applied here the investor would be treated as possessing all the representative director's knowledge about the corporation Certainly, if the director is on the corporation's board to speak for the institutional investor and its beneficiaries, that lends support to deputy status

Any program of selling or buying by the investor while the representative director sits on the corporation's board would be touchy The investor would have to time its sales carefully to make sure no material inside information was available to the corporation board but not to the public at the time of sale

It is not certain such a policy would be workable, much less give the institutional investor the best timing to maximize gain from sales

Moreover, the representative director may naturally — even unconsciously — use non-public information in his or her role as a member of the investor/fiduciary Otherwise innocent transactions will take on an appearance of impropriety Any purchase or sale of stock by the investor that coincides with the director's receipt of material, non-public information will create inevitable suspicion that the director disclosed that information to the investor/fiduciary

Conclusion

The disadvantages to the investor of having a representative on the corporation's board of directors outweigh the advantages The exposures to lawsuits are many and untested

In a litigious society, the acceptance of a directorship by the investor's representative — given his or her fiduciary duties to the investor and potential characterization as a "deputy" of the investor — would only present an attractive "deep-pocket" target to derivative plaintiffs and their counsel for every real or imagined harm involving the corporation

Instead, the institutional investor should consider being involved in director selection in ways that do not involve high exposure to lawsuit

For example, with similarly situated institutional investors, the investor might designate a large number of independent qualified director candidates From the number of candidates, management must select an agreed smaller number as part of its director slate ■

LBOs

Continued from page 31

Texas, said he has received many such calls in the past year The calls have been so numerous, he said, he can't even recall the name of the most recent caller seeking a commitment to a "megafund" of public investors

Mr Perrone said he declined the offer because the Texas teachers' board had determined the glory days of leveraged buy-out investments have passed, and the fund would not begin investing now

"Maybe its something we should have gotten into earlier," he said "There seems to be a whole lot more money (committed) than there are good deals"

The skyrocketing prices had been a reason the State of Wisconsin Investment Board decided in late 1987 to stopped additional funding of leveraged buy-out funds Since 1984, the board had committed $700 million to various funds, but Marshall Burkes, executive director, said the "out of control" pricing and leveraged buy-out mania was disturbing

"Something has to be out of line," he said He applauded the decision Nov 16 of Forstmann Little & Co , in whose leveraged buy-out fund Wisconsin is invested, to withdraw from the frenzied bidding for RJR Nabisco Inc

The decision by the California employees' system to study leveraged buy-out investments is a cautious, although long-awaited one, said Basil Schwan, assistant executive officer California law was changed in 1984 to allow the state's public pension plans to invest in leveraged buy-outs

"We've heard from so many LBO firms for so long," Mr Schwan said "All of them (say they) have a different angle and all have a niche," he said "We've essentially said 'no' to all of them"

Mr Schwan said, however, a committee will seek to "define with considerable precision" policy guidelines for potential leveraged buy-out investments The guidelines will be presented to the investment board in January He added that, if given the go-ahead, any investment likely would be considered part of the alternative investment group, which includes venture capital The system has targeted 10% of its assets to alternative investments

The guidelines, Mr Schwan said, likely would include a preference for a firm with a proven track record, and also the state's prohibition against investing in South Africa-related companies He also repeated the refrain of other public fund investors in leveraged buy-out funds "We would not want to be involved in a hostile takeover"

The refrain is one that has taken on particular import since Kohlberg Kravis Roberts & Co 's unsolicited $20.3 billion bid for RJR Nabisco KKR invests the assets of many public funds

Although many of the public plan investors say they don't perceive the KKR bid as hostile because the company's management first put the company into play, not all agree

"Up until the RJR bid, people hadn't thought there was a gray area between hostile and friendly takeovers," Mr Schwan said "We're certainly going to give that area a lot of thought"

The Massachusetts Pension Reserve Investment Management Board, unhappy with the perceived hostile nature of the KKR offer, won't allow any of its $29.3 million outstanding commitment to the KKR fund to be used in the bid, if it is successful PRIM used its prohibition of South Africa investments as the reason for its decision, even though it had gotten around the ban during the 1986 KKR-led buy-out of Beatrice Cos.

Leveraged buy-outs, even if friendly, draw more attention when the buy-out is of a company from one's home state

The Oregon Public Employes Retirement System faced that issue in 1981, when it invested $178 million in the KKR fund that bought out Oregon-based Fred Meyer Inc

James George, Oregon investment manager, said the initial public outcry over the feared results died down when the board agreed to the buy-out and Fred Meyer came to employ more people after the leveraged buy-out than it had before ■

Foreign

Continued from page 32

While actual funding won't start until a global custodian is chosen, the fund has picked Parametric Portfolio Associates Inc , Seattle, to run 4% of the assets in an equity index fund based on the Salomon/Russell Broad Market Index, SBC Portfolio Management International Inc , New York, and WorldInvest Ltd , London, to run active equity portfolios at 2% each, and Dimensional Fund Advisors Inc , Santa Monica, Calif, to run 1% in an international small-cap index fund

Many major public funds, however, still are making their first moves into the international arena

The $7.2 billion Colorado Public Employees' Retirement System, Denver, went to 12% invested overseas this year from nothing

Also, three of the five systems comprising the $30 billion New York City Retirement Systems have just announced their first hires The $1.83 billion New York City Fire Department Pension Fund will invest up to 3% — about $55 million — of its assets in a South Africa-free international index fund based on the Morgan Stanley Capital International Europe Australia Far East Index State Street Bank and Trust Co , Boston, will manage the portfolio

The $15 billion New York City Employees' Retirement System and the $6 billion New York City Police Pension Fund each has hired Rowe Price-Fleming International Inc , London to run $150 million and $60 million, respectively, in international fixed-income accounts (*P&I Age*, Oct 31)

The system is allowed under state law to place up to 7.5% of assets in international Each of the respective systems will invest about 4% in international equity and bond index funds while another 3.5% will be invested in active strategies in about a year, said Beverly Hamilton, third deputy comptroller

In its first international hire, the $1.5 billion Maine State Retirement System, Augusta, just hired Bankers Trust Co — Investment Management Group, New York, to run $30 million in an EAFE index fund, said Claude Perrier, executive director

Wilshire Associates was the consultant

Other public funds considering their first forays into international include the California State Teachers' Retirement System, Sacramento, Public Employees' Retirement System of Mississippi, Jackson the Teachers' Insurance & Retirement Fund of North Dakota, Bismarck, and the Fresno (Calif) County Employees' Retirement System

Several others lack any international investments

The New Jersey Division of Investment, Trenton, with $20 billion in pension assets, is looking at creating an international exposure, but has to overcome several legal hurdles, including a state law requiring use of a custodian whose principal offices are in New Jersey, said Roland Machold, director ■

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GIC activity

Continued from page 3

keep it at a manageable level. I don't see it as an unhealthy trend. I don't see things going to hell in a handbasket if they are prudent in their use of junk bonds," Mr. Bowles said.

In addition to having to buy more "junk" bonds, deterioration of a bond's quality is a concern.

"It is one thing to buy junk bonds and quite another to have a high-quality bond and then see it decline precipitously in price" after the company undergoes a leveraged buy-out, said Milton Meigs senior insurance analyst at Duff & Phelps Inc., Chicago.

"I don't think the current state of LBOs is significantly changing the credit quality of the insurance business," he said. "But it continues the trend generally of decreasing the quality of their portfolios.

"The asset quality issue has yet to be put to the test of a deep recession, but there can be little doubt that as an issuer's asset quality decreases there is a diminution of the insurer's credit quality generally. Those that defend the increasing use of lower quality assets claim the higher yields, combined with diversification, more than make up for the additional risk."

According to a recent report by Moody's Investors Service Inc., New York, the use of junk bonds by insurance companies has increased dramatically since 1983 and 1984 when the average among 36 major carriers was only about 6%. Junk bonds increased to 7% of portfolios in 1985, 9.23% in 1986 and 11.4% in 1987.

Judith Markland, vice president-group pension guaranteed product services at John Hancock Mutual Life Insurance Co., Boston, pointed out most major insurance carriers rely on the private placement market for investments and are not deeply involved in public bond markets.

"Private placements tend to preclude this buy-out surge," Ms. Markland said. "But no market is that neat, clean and tidy. Every time something like this happens the tendency of the market is to perceive a credit problem. What has happened is that quality spreads have narrowed and some higher-rated securities are being perceived as more risky."

She said private placements do yield less than the public bond markets because of the higher-quality paper.

"If you are a GIC investor, you must determine whether you are buying the credit of the carrier or of the carrier's portfolio and assess an insurer's financial sophistication and ability to manage the risks in both the asset and liability portfolios."

She said GIC issuers must analyze default risk because high-yield, low-quality investments can boost GIC rates and appear more attractive. It is important the insurance company deduct a realistic estimate of default from the higher income earned on riskier investments.

Low-quality investments also require the insurance company to have more equity capital invested in the business because default risk tends to be cyclical. The additional earnings to support the additional capital investment must also be deducted from the bond rate.

Several Wall Street analysts and financial experts have reported recently on the risks associated with holding public debt.

Salomon Brothers Inc., New York, in a Nov. 2 memorandum to portfolio managers noted "seasoned senior public debtholders of investment-grade issues face considerable price drops and default risk when the underlying shareholders' interests are served ahead of the bondholders'.

"Bondholders of companies such as Allied Stores, American Standard, Federated Department Stores, Freuhauf and USG suffered significant price and severe credit deterioration following the leveraged restructurings of these companies' balance sheets."

Most GIC managers, however, claim they are not concerned about the effect of leveraged buy-outs and the increased use of junk bonds on insurers' portfolios.

Alan Kominz, president of Kominz Co., a GIC management firm in Playa del Rey, Calif., said buy-outs won't hurt insurance companies because "usually they don't own a large enough piece (in a takeover candidate) that it will hurt them."

Charles Golden Jr., vice president at State Street Bank and Trust Co., Boston, said, "While almost any company could become a buy-out target, insurance companies look at the increased risk and are seeking higher premiums for assuming the additional risk, which means higher profits for the insurance companies or higher GIC rates." ▪

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Issues remain

Continued from page 3

oco Products Co., Ms. Andersen said. The resolutions ask the companies to adopt the principles.

Connecticut has not filed resolutions with the other five companies either because it has not held the stock more than a year to be eligible to submit resolutions or because the companies also have operations in South Africa and must be divested anyway under state law, Ms. Andersen said.

Shareholders are addressing several other social and political issues. The Interfaith Center on Corporate Responsibility, which coordinates shareholder actions for more than 200 religious organizations, is calling for major banks — including Bankers Trust Co., J.P. Morgan & Co. Inc. and BankAmerica Corp. — to cut off loans to Chile.

It also has filed resolutions with RJR Nabisco Inc. and Philip Morris Inc., seeking the appointment of scientific committees to study the effects of smoking. "We're challenging the companies to prove their argument that smoking causes no ill effects," said Tim Smith, executive director of the center.

Common Cause, a lobbying group that has not sponsored shareholder resolutions previously, this year has filed them with 10 companies, asking them to report on their political action committee expenditures and to take steps to limit these outlays. Common Cause has unsuccessfully sought legislation to curb PAC spending, Ms. Mathiasen said.

Common Cause does not hold stock, but is able to sponsor the resolutions because individual members are shareholders in some corporations, she said. Companies receiving the resolutions are Aetna Life & Casualty Co.; American Express Co.; Citicorp; General Electric Co.; GM; Minnesota Mining & Manufacturing Co.; Mobil Corp.; Pfizer Inc.; Unisys Corp.; and BankAmerica.

Another first-time resolution sponsor is the Federation of American Scientists, which is sponsoring resolutions to urge major lenders to Argentina and Brazil to pressure leaders of those countries to endorse nuclear non-proliferation, Ms. Mathiasen said. The three bank receiving the resolutions are Citicorp, BankAmerica and Manufacturers Hanover Corp.

People for the Ethical Treatment of Animals, which sponsored resolutions on animal testing at eight corporations in 1988, likely will resubmit these, Ms. Mathiasen said.

Although dissident shareholder resolutions almost never receive a majority of shares voted, their sponsors continue to see value in submitting them.

"Even if a resolution is not successful, it is part of a process of educating corporate management, shareholders and the media about our issues," said Steve Mathews, assistant New York City controller. The $30 billion New York City retirement systems are sponsoring or co-sponsoring 21 resolutions each on Northern Ireland and South Africa this year. ▪

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Insurer assets

Continued from page 1

billion in assets, according to Dick Klipstein, vice president. He said those insurers represented a total $150 billion in assets ripe to be invested by money mangers.

Walter Blasberg, senior vice president of CIC Asset Management Corp., an investment affiliate of The Continental Insurance Co., New York, estimates there was $90 billion in potential assets to be managed for the property and casualty industry alone in 1985.

That estimate is low, according to others. Dick Press, senior vice president and principal of Chicago-based Stein, Rowe & Farnham Inc., estimates the property and casualty market at $103 billion, while the life and health market is another potential $115 billion.

Others, such as Rick Lieb, senior vice president of SEI Corp., Wayne, Pa., estimate the potential market at $500 billion to $1 trillion. "There are 700 insurance companies that I would consider in our core market, each with between $25 million to $2 billion in assets," Mr. Lieb said.

But whatever the size of the market, investment industry experts are scrambling for and expanding their efforts to reach — it, and the competition is fierce.

"You have banks, insurance companies, brokerage firms, investment managers" competing for the market, Aetna Financial's Mr. Klipstein said. "The array is unbelievable." He said about 100 money managers have contacted the same 500 insurers his firm is courting.

Aetna decided two years ago to look at managing other insurers' assets after being approached numerous times in the past decade, Mr. Klipstein said. After researching the potential market, he said, the decision was made in March to tackle the market. Aetna Financial now manages $1.1 billion in other insurers' assets.

The Scudder Insurance Asset Management Group (SIAM) was formed in 1980 as a separate division of Scudder, Stevens & Clark, New York. Beginning with $1.7 billion it transferred from Scudder, SIAM has grown to about $10 billion in insurance assets managed, according to David Watts, managing director. He said SIAM targets insurance companies with between $10 million and $1 billion in assets.

Asset Allocation and Management Cos., Chicago, focuses solely on insurance company assets. Andrew Jarmel, chief executive officer for Asset Allocation, said the company was formed in 1982, and manages $3 billion.

"What we've seen recently is that several of the big insurance companies have spun off their investment departments," he said. "The problem for the investors is: Who wants another insurance company looking over your shoulder?"

Jeffrey Winter, director of marketing for MIMLIC Asset Management Co., Minneapolis, a subsidiary of The Minnesota Mutual Life Insurance Co., argues insurance subsidiaries have a "decided advantage" when it comes to managing insurance company assets.

"We are totally conversant in the field and recognize the ramifications of all investment decisions," he said. MIMLIC manages $400 million in outside insurance company assets.

Despite the competition, the managers agree investment decisions for insurer assets are more complicated than for pension management.

"One of the critical factors in managing insurance company assets is a fundamental understanding of insurance accounting," said Michael Witte, vice president of Chancellor Capital Management, New York, with $2.1 billion in insurance company assets. "You've got to appreciate the impact of active management on the financial health of an insurance company," he said. "There are a lot more things to input into the buy-sell decision."

Stein Rowe's Mr. Press said while pension fund investing is based on actuarial studies and derived targets, "all rather cold-bloodedly quantitative factors," insurance investing depends on several "qualitative" factors.

Included among those are whether the company is a start-up or mature, what lines of insurance it is entering or leaving, whether it will be profitable from year-to-year, and the importance of its investment income.

"The investment manager has to consider himself a member of the company's senior management," Mr. Press said.

The nature of the insurer — "long-tail" (riskier, such as medical malpractice) vs. "short-tail" (predictable payouts, such as auto and fire losses) — also poses a major consideration, according to CIC's Mr. Blasberg, because they determine liability duration.

The bottom line, according to Mr. Blagden of Brown Brothers, is that, because of state regulation, the amount of a company's surplus affects its ability to write policies.

He said most start-up companies are likely to have portfolios "overwhelmingly, if not entirely" invested in fixed income. Because most fixed income can be carried at cost, it has less fluctuation on the company's surplus, he said. More mature insurance companies will be able to invest more in the equity market, he said.

Mr. Kirk said Babson's investment strategy is to invest, with low turnover, in high-quality equity, and Stein Rowe's Mr. Press said the firm has developed convertible bond portfolios to allow insurers the ability to carry the investment at cost and to participate in the equity market.

Developments of the 1980s, including volatile bond markets, poor underwriting returns, falling interest rates and tax reform have heightened the importance of investment income.

"The investment side has always been as important as underwriting, but the recognition of that is a more recent phenomenon," Chancellor's Mr. Witte said. "No longer are investments considered an orphan."

For example, while the 1986 Tax Reform Act cut the corporate tax rate, its other amendments hurt the insurance industry, according to CIC's Mr. Blasberg. He estimates those revisions — including discounting the deductibility of loss reserves, adding a portion of unearned premium reserves to taxable income and taxing a portion of previously tax-exempt insurer income — could reduce insurance company profits by as much as 20%.

"There are two ways to cover that potential loss — raise prices, which is difficult, or try to get more out of investment dollars," he said.

Mr. Jarmel of Asset Allocation said a usual 2.5-year down cycle in underwriting has stretched to eight years in the 1980s, largely because of interest-rate fluctuations that have spawned a whole array of interest-rate sensitive products.

According to Mr. Witte, the development of these interest-rate sensitive products has a direct effect on the traditional buy-and-hold investment strategy.

"When everyone was selling whole or term life insurance, it didn't take any genius to invest for 30 years," he said.

All the variables pose a problem for the consultants who are expanding into this area.

"I'm concerned that some consultants, having identified this area as a rapidly growing market, may not make the effort to understand what is important in selecting an insurance company portfolio manager," Mr. Press said. "It's not just the bottom line — it is not just a quantification contest," Mr. Press said. "The qualitative aspects are the essential ingredient."

Acknowledges SEI's Mr. Lieb: "When you are a pension fund, you don't have tax complications. Insurance tends to be a regulated financial service industry, harder to understand, harder to evaluate," he said. "You've got to make sure you are measuring apples to apples."

The differing investment objectives make establishing a data base hard, according to Phillips Babcock, senior vice president at Callan Associates Inc. in New York.

Robert Penter, a consultant with Hewitt Associates, Lincolnshire, Ill., said the different financial structures of insurance companies and thus their different investment strategies and needs make it hard to create a standardized measure.

"In the pension industry, we all have our universes," he said. "It's almost meaningless in the insurance industry." ■

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PENSIONS & December 12, 1988
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RJR's $5.1 billion payoff

Funds profit in largest LBO

By Curtis Vosti

Pension funds and other institutional investors will share at least $5.1 billion in profits from the bidding war for RJR Nabisco Inc.

Pensions & Investment Age calculated the profit figure this way: Kohlberg Kravis Roberts & Co., New York, made a winning bid of $109 per share for RJR Nabisco. According to CDA Investment Technologies Inc., Silver Spring, Md., 455 institutional investors held about 95 million, or 42%, of the outstanding shares of RJR common stock Sept. 30. Using the Sept. 30 closing price of $55 a share and the $109 per share bid, the institutional investors stand to gain at least $5.1 billion.

Of course, those who bought the stock earlier reaped even bigger profits, while those who bought it later earned less.

(Institutional bondholders, however, took a paper loss of about $337 million in long-term bonds alone. See story, on page 42.)

When the final details of the financing are released next year, investors say, the figure could be less because of the unknown value of the preferred stocks and convertible debentures used to augment the $81-a-share cash offer in KKR's bid. Indeed, using the $55 per share purchase price and the $81 per share cash tender, institutional investors will come out with about $2.5

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Nilla
WAFERS
NABISCO
WALKERS CRISPS
Mix'n Eat
CREAM OF WHEAT
Larger Size!
A1
SAVE 25¢
egg beaters
Fleischmann's
THE HUNTLEY & PALMER BISCUITS
Good, Good Whole Wheat
Shreddies.
ORTEGA
10 TACO SHELLS
ORIGINAL PREMIUM
Del Monte

The bidding war over RJR Nabisco, which produces these and other products, will bring institutional stockholders at least $5.1 billion in profits.

Texaco impasse

Plan for permanent committee on table

By Marcia Parker

Fed up with the stalemate in its talks with Texaco Inc. on giving institutional shareholders a voice in the nomination of corporate directors, the $46 billion California Public Employees' Retirement System has proposed a bylaw change creating a permanent shareholders committee.

This is the first time an institutional investor has sponsored a bylaw change calling for such an advisory group. It represents a new push in the growing activism of institutional investors on corporate governance issues.

The California fund last week sent a letter to institutional investors seeking co-sponsors for the proposal prior to the mid-December deadline for filing proposals to be included in Texaco's 1989 proxy statement. By press time, no others had committed to being a co-sponsor, but several said they were considering it.

Dale Hanson, executive director of the Sacramento-based fund, said in an interview that he's disappointed about the stalemate. "Texaco is willing to dance with us, but doesn't want to take us

Continued on page 39

Car Wash
Products You Can Trust
Food Mart

Talks have stalled between Texaco and the California Public Employees over procedures for choosing a board of directors.

Employers to get 1-year reprieve on benefit rules

By Joel Chernoff

WASHINGTON — Bowing to employer pressure, the Internal Revenue Service will give employers at least one more year to amend their retirement plans to meet sweeping new requirements taking effect Jan. 1.

The amendments will need to be retroactive to the beginning of the 1989 plan year, however, which for most plans is Jan. 1, causing some employers to later reduce benefits accrued during 1989.

The rules concerning new integration, non-discrimination, participation, line of business and coverage requirements contained in the 1986 Tax Reform Act, affect virtually all retirement plans. Shorter vesting rules, also to take effect Jan. 1, apparently will not be affected.

The IRS failed to meet the Feb. 1 deadlines imposed by Congress for issuing regulations interpreting certain provisions in the law, making it difficult if not impossible for employers to amend their plans on time.

While the full extent of the IRS' relief was unknown at press time, benefit consultants expected the agency to give "conditional relief" to employers that would enable them to continue current benefit accrual schedules and later amend their plans retroactively to the start of the

Continued on page 38

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PIPER results - Page 14

LATE NEWS

Tax law causes GM to cut ESOP

NEW YORK — General Motors Corp. will terminate its $3.6 billion employee stock ownership plan effective March 31.

The Tax Reform Act of 1986 repealed provisions for tax credits for contributions corporations make to ESOPs and subsequently provided favorable tax treatment to participants who receive a distribution from an ESOP in 1989.

GM is terminating the plan for those reasons, according to a letter to employees explaining the move. The letter is signed by Richard F. O'Brien, GM's vice president-personnel administration.

Mr. O'Brien and several others at GM, including W. Gordon Binns Jr., vice president and chief investment funds officer, and a public relations spokesman, did not return telephone calls by press time.

The termination is the first one in recent months among major corporations, according to Martin Staubus, associate director of the Employee Stock Ownership Association, a Washington-based organization.

Comptroller backs DOL policy

The office of the comptroller of the currency informally has endorsed the Department of Labor's views on proxy voting, which will require banks to maintain written policies on voting proxies and maintain a record of the vote.

The OCC's views came in the form of a response to questions from Institutional Shareholders Services Inc., Washington, which is pressing a number of government agencies for uniform policies on proxy voting.

Nell Minow, general counsel to ISS, was to meet with the Federal Reserve Board today on the same subject. Ms. Minow told a proxy voting conference in New York last week hosted by the Institute for International Research she expects to see other agencies, including the Internal Revenue Service and Securities and Exchange Commission, endorse the Labor Department's policies.

Ownership percentage detailed

NEW YORK — Forty-seven of the 50 largest U.S. corporations have institutional ownership in excess of 33%, according to a study on the growth of institutional investors in the capital markets by the Center for Law and Economic Studies at Columbia University Law School.

Forty-one of the 50 largest corporations are 41% owned by institutional investors; 27 corporations of the largest 50 have institutional ownership in excess of 50%.

The data is based on 1987 stock market value.

The study is the "first major attempt to quantify the role of institutional investors in capital markets since the Securities and Exchange Commission study covering 1980 data," according to Ira M. Millstein, chairman of the Center for Law and Economic Studies.

Ruling on Firestone reversion

WASHINGTON — Participants in a Firestone Tire & Rubber Co. pension plan are entitled to surplus assets attributable to their contributions to the plan, the U.S. District Court for the District of Columbia has ruled.

In September 1984, Chicago-based Firestone terminated its $647 million pension plan for salaried employees, seeking to recapture $284 million in surplus assets.

But the Pension Benefit Guaranty Corp. contested the company's recapture of the full surplus, arguing plan participants were entitled to a portion of the surplus based on their mandatory contributions to the plan.

The agency required Firestone to place $9 million in escrow while the company recaptured the remaining $275 million in surplus assets.

An attorney for Firestone said the company is reviewing the decision.

Banque Paribas names new CEO

NEW YORK — Banque Paribas New York has elevated a corporate finance head to the post of chief executive officer.

After serving as managing director of the corporate finance department of the bank for five years, Bernard Allorent has been named chief executive office.

Banque Paribas New York is the largest U.S. operation of Compagnie Financiere de Paribas, the French merchant bank. The unit specializes in acquisition financing, project financing, securities lending and multinational corporate finance and manages the U.S./Latin American portion of the parent company's global oil trade financing activities.

It has not yet been determined whether he will be replaced as head of the corporate finance department.

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Vol. 16, No. 26 — Pensions & Investment Age (ISSN 0273-5466) is published biweekly with a special edition in May, at 740 Rush St., Chicago, Ill. 60611. Second class postage paid at Chicago, Ill. and at additional mailing offices. Postmaster: Send address changes to Pensions & Investment Age, Circulation Dept. 965 E. Jefferson, Detroit, Mich. 48207. Copyright 1988.

California fund eyes China loan

By Steve Hemmerick

SACRAMENTO, Calif. — Officials for the California Public Employees' Retirement System are discussing becoming the first U.S. institutional lender to China, ahead of a long line of eager bankers.

The "experimental" loan could be for only $30 million or $40 million, but it probably would set a precedent for larger loans by the California or other major pension funds, said Jake Petrosino, a member of the investment board for the $45 billion California retirement system.

Mr. Petrosino said China needs the capital and the pension fund is seeking alternative investments, such as providing reliable long-term loans at market return rates. The interest rate would depend on the length of the loan and the risk. The loan would be guaranteed by the Chinese government, which would be liable in case of default.

High-ranking California employees pension fund officials met Nov. 28 in Sacramento with Ma Yuzhen, China's consul general of ambassador rank, and his staff for four hours of talks about making an investment loan in one of 10 infrastructure projects in China.

Pension officials are examining the projects while Chinese officials consider establishing an appropriate financial package for investment in one of the projects, such as development of a chemical plant or expansion of a steel mill.

The discussion of a loan agreement, said Mr. Petrosino, has the approval of Winston Lord, U.S. ambassador to China.

Seeking a loan from a U.S. financial institution is a reversal of a long-standing policy by China, said Mr. Ma, who is based in Los Angeles.

Originally, Mr. Petrosino said, China would accept no foreign loans, but in recent years has accepted loans from Scandinavian and Dutch banks and has received the third installment on a loan from the Japanese government. Mr. Ma said he didn't know the size of the loans, but he believes the Japanese loan involves the equivalent of several billion U.S. dollars.

Mr. Ma described the proposed loan with the California pension fund as a first among pension funds and an experiment. He said China also is now willing to negotiate loans with U.S. banks provided the interests rates are reasonable.

Many years ago, he said, Chinese officials believed they were taken advantage of by foreign bankers. Since former President

Continued on page 41

Two plans to realign asset mix

By Steve Hemmerick

Bechtel Power, which built this waste-to-energy plant, is boosting real estate investment in its $1.4 billion fund to diversify and lower risk.

Two corporations are making asset allocation changes to minimize investment risk and diversify plan assets.

Bechtel Power Corp., San Francisco, is reducing its $1.4 billion defined contribution plan's exposure to domestic and international equities and boosting the fund's allocation to real estate and fixed-income investments.

At Unocal Corp., Los Angeles, international exposure has been increased in the $811 million defined benefit plan and assets have been transferred to straight annuities from participating ones, while officials have recommended returning to real estate investing, a market the fund moved away from in 1986.

Albert W. Kirschbaum, vice president of Sierra Asset Management Inc., which oversees Bechtel's pension fund, said the fund's exposure to domestic and international equities will be cut to 43% from about 50%.

At the same time, he said, the commitment to real estate will be increased to about 7.5% from about 6%, with virtually all the new money going to distribution warehouses, a form of industrial property.

The allocation to bonds will rise to 29% from about 22%. About one-half of the increased fixed-income money will be managed by Sierra, which will invest in government and "very select" corporate bonds with maturities of about three years, Mr. Kirschbaum said. The other half will go to Pacific Investment Management Co., Newport Beach, Calif., an existing manager.

(About $180 million of the fund's assets are with tactical asset allocation managers Wells Fargo Investment Advisors, San Francisco, and Bailard Biehl

Continued on page 37

$25 million reversion sought

By Barry B. Burr

ELK GROVE VILLAGE, Ill. — Ancilla Systems Inc. expects to receive a $25 million reversion from the termination of the pension plan for the eight-hospital organization, according to a key executive.

But the federal government, which pays a large part of the bills of the system's patients through its Medicare program, probably will seek a share of the excess pension assets, a consultant familiar with the issues suggested.

The company, which has $80 million in pension assets, called its investment managers to a meeting two weeks ago to submit liquidation plans, the company executive said.

"They're in that (liquidation) process now," the person added. "Obviously the key is preservation of capital." The executive declined to state if any hedging was being done.

Dillon Read & Co., New York, Ancilla's chief investment banker for tax-exempt debt offerings, advised the system on the liquidation, according to an executive at one of the fund's money managers.

All of the pension assets are run by external managers, which the Ancilla executive would not identify. According to the 1988 Money Market Directory of Pension Funds and Their Managers, Ancilla had investments in domestic and international stocks, bonds, guaranteed investment contracts and a general insurance account.

Ernst & Whinney, a Chicago accounting firm, is assisting the company in obtaining bids from insurance companies for annuities to cover the accrued benefits as required in terminations, the executive added, declining to name

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OPINION

To LBO or not to LBO?

Pension funds have been criticized for their participation in leveraged buy-out funds, such as that put together by Kohlberg Kravis Roberts & Co. to win control of RJR Nabisco Inc.

Pensions & Investment Age estimates there are $8 billion to $10 billion of pension assets committed to such funds. This is a drop in the bucket of the more than $2 trillion in pension assets overall. Together with assets from other institutions, however, it provides a substantial base from which KKR and other leveraged buy-out fund sponsors, such as Forstmann Little & Co. and Clayton & Dubilier Inc., can launch takeover efforts.

The participation of pension assets in the leveraging and breaking up of major corporations, however, is being questioned by many observers, not least in Washington.

Some politicians apparently believe the participation of pension funds in leveraged buy-out activity is somehow improper. They reportedly are wondering if such activity should be "subsidized" by the pension funds' tax exemption.

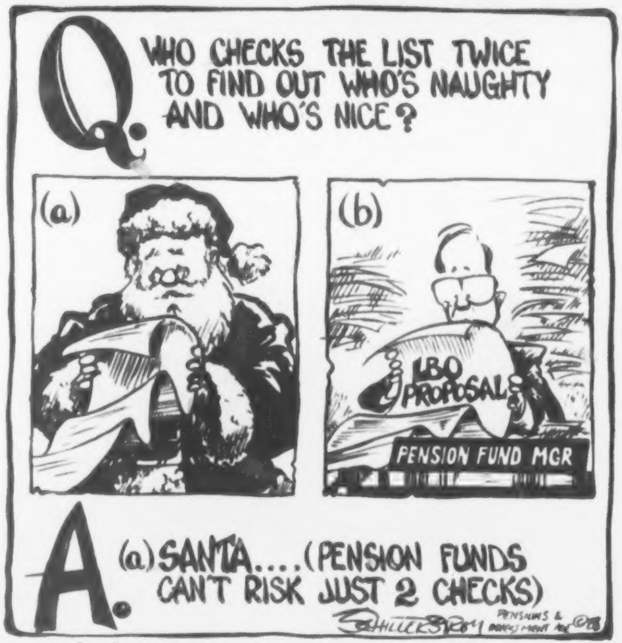
The questioning is based on several shaky premises.

The first of these is that all or most leveraged buy-outs are detrimental to the economy — that they somehow are un-American. This is by no means clear, and it will be several years before definitive evidence will be available on which to judge the overall effect of the leveraged buy-out phenomenon. The early evidence, however, is that many, perhaps most, leveraged buy-outs made companies more efficient, and certainly were beneficial for shareholders — including pension funds.

The second questionable premise is that pension funds somehow are obligated to pass up the high returns that leveraged buy-outs have provided; that because such buy-outs are "un-American," pension funds ought not participate. But pension fund fiduciaries are charged with investing the assets in their charge solely in the interests of the beneficiaries for the purpose of securing benefits. If in the judgment of those fiduciaries those benefits can best be secured by earning the high returns offered by leveraged buy-outs, their first duty is to invest in them.

The third questionable premise is that Congress has granted substantial tax benefits to corporations and other pension fund sponsors. To be sure, pension contributions are tax deductible, but so are most legitimate business costs. If there were no pension funds, companies almost certainly would increase wages to make up the difference. Those increased labor costs would be tax deductible because they would be a legitimate cost of doing business. The real tax benefit pension funds enjoy is the tax exemption of investment income. The value of this exemption is not to be denied, but it is not as great a benefit as some in Congress might claim.

If Congress made leveraged buy-outs illegal, pension funds would be obliged to obey the law and not invest in them. But until then, or until leveraged buy-outs are proven to produce poor returns relative to their degree of risk, pension funds should not be criticized for sharing in the returns they offer.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LETTERS TO THE EDITOR

Morguard omitted

To the Editor: I would like to bring your attention to an omission in the May 23 Special Profiles issue.

Morguard Investments Ltd. is the largest manager of tax-exempt real estate assets in Canada. Morguard manages a company named Pensionfund Realty Ltd., which owns $1.35 billion worth of equity real estate and acts as an investment consortium for its 35 pension fund shareholders.

Morguard also acts as an investment adviser to this group of pension funds, which includes Air Canada, Alberta Government Telephones, Bimcor and Imperial Oil.

Morguard has managed pension fund monies since its founding, in Montreal, in the mid-1960s. During the period from 1966 to 1975, Morguard established itself as a major force in the institutional real estate industry, through the placement of mortgage investments on behalf of Canadian pension funds and other institutions. The trust and mortgage banking arm of Morguard was renamed the Metropolitan Trust Co. of Canada in September 1987.

Metropolitan Trust is headquartered at 6 Crescent Road, Toronto, Ontario, serves over 300 clients and manages assets totaling approximately $4.5 billion.

Morguard pioneered the idea of tax-exempt real estate investment for Canadian pension funds and has managed Pensionfund Realty Ltd. since its inception in 1975.

The operation of Morguard is divided into seven functional areas, each directly managed by a vice president of the company. The composition of Morguard's senior management has been extremely stable, with an average length of service of 12 years.

The investment philosophy of Morguard's property team is to acquire or develop only high-quality, income-producing properties suitable for pension fund investment. Assets are diversified by property type and location to minimize the risks associated with regional fluctuations in economic activity.

While Morguard aggressively pursues above-average returns from its investments, its primary concern remains the safeguarding of those pension fund assets entrusted with the company.

The major functions of acquisitions, dispositions, development, investment and portfolio management are centralized at the head office of Morguard, 1027 Yonge St., Toronto, Ontario.

Morguard complements it internal real estate expertise through the use of external consultants, including architects, engineers, lawyers and general contractors. These consultants are used to obtain the highest level of professional expertise available in each of the markets Morguard operates.

Morguard also operates 10 regional offices across Canada where property management, appraisal, leasing and accounting functions are performed.

Morguard Investments Ltd. is owned by management (15%) and by Metropolitan Life Holdings Ltd. (35%).

Morguard maintains a policy of restricting its activities to servicing the real estate needs of pension funds through an Advisory and Management Agreement with Pensionfund Realty Ltd. and does not develop or acquire properties for its own account. The agreement has an automatically renewable one-year term with a right to terminate by either party on 12 months' notice.

Tony Stephens, president, is chief investment officer. Tony Houghton, senior vice president-investments, is client contact.

Rick Hayward
Manager investments
Morguard Investments Ltd.
Toronto

Landauer's assets

To the Editor: In your Aug. 22 article concerning foreign institutional capital placed with U.S.-based money managers, Landauer Advisors Inc. was not included in the listing of top U.S. real estate advisers.

Landauer Advisors has been a leading money manager for foreign institutional investors since 1960.

Over the years, we have worked with our foreign clients to provide education about real estate investment opportunities in the United States, while at the same time building solid, diversified real estate portfolios. By patiently gaining the trust and respect of our foreign clients we have been able to build this side of our business to where we manage $525 million in real estate assets for foreign institutions.

This places us 19th in total and fifth in real estate.

I would welcome the opportunity to provide you further details concerning our large and growing involvement in providing professional real estate investment management services to offshore investors.

Richard M. Reeves
Senior vice president
Landauer Advisors Inc.
New York

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Published every other week by Crain Communications, Inc. Offices at 220 E. 42nd St., New York 10017 (editorial: 212/210-0255, advertising: 210-0114); 740 N. Rush St., Chicago 60611 (312/649-5200); 814 National Press Bldg., Washington, D.C. 20045 (202/662-7200); 6404 Wilshire Blvd., Los Angeles 90048 (213/651-3710); 1 NorthPark East, Suite 114, 8950 Central Expwy., Dallas 75231 (214/692-6648).

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WILLIAM STRONG, vp-circulation, JOHN HUFFMAN, fulfillment director. Four weeks notice required for change of address. Address all subscription correspondence to Pensions & Investment Age, 965 Jefferson, Detroit, Mich. 48207. Telex number: 23-4946; Cable address: CRAINCOM. Microfilm copies are available from University Microfilms, 300 N. Zeeb Rd., Ann Arbor, Mich. 48021. Microfiche copies are available from Bell & Howell, Micro Photo Division, Old Mansfield Rd., Wooster, Oh. 44691.

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ABP
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Big is best in quarter

Large-cap stock investments lead pack

By Trudy Ring

Bank and insurance company pooled special equity funds concentrating on large-capitalization stocks performed best in the third quarter, according to Pensions & Investments' Performance Evaluation Report.

Despite the stellar performance of some, the median fund in the PIPER universe of 106 funds lagged the market indexes for the quarter. The median PIPER special equity return was nearly −1%, compared with 0.3% for the Standard & Poor's 500 Stock Index and −0.9% for the smaller-cap Russell 2000 Index.

For the 12 months ended Sept. 30, the median PIPER fund returned −9%, beating the S&P 500's −12.4% and the Russell 2000's −10.9%. For the three years, the median returned a compound annualized 15%, lagging the S&P 500's 18.3% but beating the Russell 2000's 11.8%. All returns for periods longer than one year are compound annualized.

For the five-year period, the median return was 8.8%, compared with 14.7% for the S&P 500 and 7% for the Russell 2000. For the 10 years, the median was 15.2% vs. the S&P's 15.4%. The return for the Russell 2000 was not available for the 10-year period.

The leading fund in the most recent quarter was Boston-based Wellington Trust Co.'s special situation fund, which returned 9.2%, nearly three percentage points more than its closest competitor. The fund was third for the year, with 14.5%. Begun in March 1986, it is too new for the other periods.

Special equity funds
(periods ended Sept. 30, 1988)

	Quarter	1 yr.	3 yr.	5 yr.	10 yr.
Highest return	9.18%	28.57%	56.66%	34.96%	23.70%
First quartile	1.47	−3.91	19.68	12.82	17.86
Median	−0.97	−8.97	15.07	8.83	15.21
Third quartile	−3.86	−14.28	10.67	5.89	12.83
Lowest return	−10.78	−26.53	1.97	−3.49	10.06
S&P 500	0.34	−12.39	18.32	14.72	15.42
Russell 2000	−0.92	−10.91	11.78	7.02	NA

The fund has about $2 million in assets, said Bob Beck, managing partner of Marble Arch Partners, which runs the portfolio. Marble Arch is a joint venture between its principals and Wellington Trust's parent, Wellington Management Co., and runs about $145 million more in separate accounts, Mr. Beck said.

The fund is concentrated in 20 to 25 stocks, nearly equally weighted, in large, well-known companies. Stock selection is based on fundamental research focusing on the companies' management, assets and situation. "It's all from the bottom up," Mr. Beck said.

The fund stays fully invested, has no more than 20% annual turnover and looks for returns to come during a period of two or three years. Holdings include **Citicorp**, **Amerada Hess Corp.**, **K mart Corp.** and **UST Inc.**

Coming in second, with 6.3%, was Dallas-based NCNB Texas National Bank's select equity fund. The fund, which originated with the former RepublicBank Dallas, came in first for the one-, three- and five-year periods ended Sept. 30, with returns of 28.6%, 56.7% and 35% respectively, far outdistancing the second-place finishers. It is too new for the 10-year period.

The $16 million fund is highly concentrated, with just five to 10 stocks at any time, said Ben Fisher, NCNB Texas senior vice president. The bank uses the same screens — lower price-earnings ratios and higher yields than the market — and the same universe — thousands of stocks — as it does for its other pooled funds, but picks a less diversified group of stocks for this fund, he said.

The selection combines quantitative and fundamental factors, he said; these stocks have passed the quantitative screens, but then are subjected to judgment calls to determine the best stocks in a fundamental sense.

The portfolio has five stocks now — **Digital Equipment Corp.**, **Ferro Corp.**, **Rexene Corp.**, **Unisys Corp.** and **Universal Corp.**

"They're basically stocks that look oversold, (are) unpopular and should have pretty good earnings," Mr. Fisher said. The portfolio is reviewed monthly and averages more than 100% turnover a year, he said.

The fund has 40% in cash now, but that's not a call on the market, he said. The portfolio is between buys, and because it takes such large positions in each stock, having two or three positions open makes the cash allocation large, he said.

Third for the quarter was the employee benefit growth fund of Second National Bank of Warren, Ohio, with 5.8%. Its performance for longer periods was scattered. The fund lagged the median for both the one- and five-year periods, with −9.2% and 8.7%, respectively, but placed in the top 40% in the three- and 10-year pe-

Continued on page 19

OUR VIEW OF INVESTING OUTSIDE AMERICA

Following the period of retrenchment in the wake of the October crash, fund managers in America are once again looking overseas. But performance in the different markets has not been uniform in either equities or bonds. With the help of James Capel, a global investment house with close to 200 analysts covering 5000 companies on 25 stock markets around the world, institutional investors have more access to more international opportunities than ever before. The benefits associated with diversifying investments internationally are familiar to the experienced fund managers. Risk is spread and as the selection of stocks is increased, so too are the opportunities.

To make the most of these opportunities requires discipline, experience and the ability to interpret the implications of currency, macro-economic influences and market sentiment. Analysts must have the support of colleagues in different markets, across different time zones, in order to provide a perspective on their own specialty. Whether investing in a major market like Tokyo or an emerging market like Manila, the analyst advising you, or the salesman executing your instructions should not be working in isolation.

Our reputation is well established among the more sophisticated investors based in the United States and James Capel is not new in the international investment community. Nor are we a minor player. We were established over two hundred years ago and now have the largest market share of the institutional broking business in London. Our analysts have consistently topped surveys undertaken by the Institutional Investor magazine, Extel, the financial information service, The Association of Corporate Treasurers in London, The Sunday Times/MORI poll, Taylor Nelson, the market research firm, and many others. We are primary dealers in the UK gilt market, major participants in the Eurobond market, associated with the US Treasury experts CM&M and world leaders in many specialist services such as portfolio trading.

Corporate Finance is becoming an increasingly important part of the business and our clients are benefitting from our own global network of offices. It puts us in twenty one cities on four continents. We are also members of the HongkongBank Group.

So when it comes time to place some of your investments outside America, use the investment house which can offer you experience, expertise and execution. Talk to Peter Green at James Capel.

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PIPER

Top quartile commingled special equity funds

3-month returns

	%
Wellington Trust (Spec. sit.), Mass.	9.2
NCNB Texas (Select)	6.3
Second Nat'l (Growth), Ohio	5.8
Mid-State Bancorp (Beta), Pa.	5.6
Assoc. Bank Neenah (Inc.), Wis.	5.0
Assoc. Bank Neenah (Reg.), Wis.	5.0
Wellington Trust (Tech.), Mass.	4.2
Wellington Trust (Non-tech.), Mass.	3.6
Nat'l Bank of Detroit (F)	3.5
First City Nat'l Houston (G-1)	3.0
Liberty Nat'l (Growth), Ky.	3.0
First of Boston (Yield)	2.9
SLH Trust (2), Del.	2.8
Society Nat'l (Central value), Ohio	2.7
First Chicago (Inst.)	2.5
Chancellor Capital (Value), N.Y.	2.4
First Wis. Asset (Emerg. grow)	2.2
Centerre Trust (P-1), Mo.	2.0
Markston Investment (VA 15), N.Y.	2.0
First Asset Mgmt.(20), Minn.	2.0
First Asset Mgmt., Minn.	1.8
Connecticut Nat'l (Sup.)	1.7
Massachusetts Mutual (SIA S)	1.7
Banc One Asset, Ohio	1.5
Texas American (Spec. sit.)	1.5
Chancellor Capital (Emerg.),N.Y.	1.5
Standard & Poor's	**0.3**
Russell 2000	**-0.9**

1-year returns

	%
NCNB Texas (Select)	28.6
First City Nat'l Houston (G-1)	17.1
Wellington Trust (Spec. sit.), Del.	14.5
First Chicago (Inst.)	11.8
Lincoln Nat'l (Emerg.)	10.8
Assoc. Bank Neenah (Reg.), Wis.	10.5
First Wis. Asset (Emerg. growth)	6.7
Society Nat'l (Central value), Ohio	6.6
Massachusetts Mutual (SIA S)	5.2
Connecticut Nat'l (Sup.)	5.1
Markston Investment (VA 15), N.Y.	4.2
Liberty Nat'l (Growth), Ky.	2.7
Centerre Trust (P-1), Mo.	1.4
SLH Trust (Small cap. 5), Del.	-0.5
Nat'l Bank of Detroit (F)	-0.6
First Asset Mgmt., Minn.	-0.9
Chancellor Capital (Real estate)	-0.9
Crestar Bank	-1.0
Assoc. Bank Neenah (Inc.), Wis.	-1.6
The Phoenix (Growth S), Conn.	-1.8
Fidelity Mgmt. (Small co.), Mass.	-1.9
Nat'l Bank of Detroit (Opp.)	-2.0
First Asset Mgmt. (20), Minn.	-2.1
Wellington Trust (Tech.), Mass.	-3.6
Society Nat'l (Ohio reg.), Ohio	-3.8
Russell 2000	**-10.9**
Standard & Poor's	**-12.4**

3-year returns

	%
NCNB Texas (Select)	56.7
SLH Trust (Growth 2), Del.	37.0
SLH Trust (New value 3),Del.	35.9
First City Nat'l Houston (G-1)	28.0
Assoc. Bank Neenah (Reg.), Wis.	23.8
Connecticut Nat'l (Sup.)	23.6
Equitable Capital (Tangible asset)	23.4
California First (Sup.)	23.3
Society Nat'l (Central value)	22.5
Security Pacific (Growth G), Calif.	22.2
Fidelity Mgmt. (Agg.), Mass.	22.1
Society Nat'l (Ohio reg.), Ohio	21.8
Putnam Fiduciary (Putnam gro.)	21.2
Central Fidelity (Agg.), Va.	21.1
Fidelity Mgmt. (Small co.), Mass.	20.8
Society Nat'l (Momentum), Ohio	20.6
SLH Trust (Small cap. 5), Del.	20.5
First Asset Mgmt., Minn.	20.4
Harris Trust (Capital),Ill.	20.1
First of Boston (Yield)	19.9
Massachusetts Mutual (SIA S)	19.8
Morgan Guaranty (Sup. opp.)	19.7
Standard & Poor's	**18.3**
Russell 2000	**11.8**

5-year returns

	%
NCNB Texas (Select)	35.0
SLH Trust (Growth 2), Del.	28.2
Equitable Capital (Tangible asset)	18.2
Fidelity Mgmt. (Agg.), Mass.	17.2
First Asset Mgmt.(20), Minn.	17.1
First of Boston (Yield)	16.9
Assoc. Bank Neenah (Inc.), Wis.	15.8
Society Nat'l (Ohio reg.), Ohio	15.5
Chancellor Capital (Real estate)	15.1
Standard & Poor's	**14.7**
First Asset Mgmt., Minn.	14.5
Connecticut Nat'l (Sup.)	14.4
Nat'l Bank of Detroit (Opp.)	13.5
Shawmut Bank (Target), Mass.	13.1
LaSalle Nat'l (Small cap.), Ill.	13.0
Trust Co. of the West, Calif.	13.0
Chancellor Capital (Spec. value)	12.9
Mellon Equity Associates	12.9
First Wis. Asset (Growth B)	12.8
Russell 2000	**7.0**

10-year returns

	%
California First (Sup.)	23.7
MTrust (Growth), Texas	20.4
Norwest Bank (Sp. invt.)	19.3
Bank of America (Cit.), Calif.	19.1
Chase Manhattan (Inter. cap.)	18.9
Connecticut Bank (Emp. sup.)	18.7
Chancellor Capital (Sp. value)	18.7
First Asset Mgmt., Minn.	18.0
Standard & Poor's	**15.4**

Commingled international funds

3-month returns

	%
The Principal (Stock), Iowa	2.9
PCM Int'l (PRINT eq.), N.J.	2.8
PCM Int'l (Global bond), N.J.	2.3
Prudential (Index), N.J.	1.7
First Chicago (Non-$ fixed)	1.4
IAA Trust (CTF-I), Ill.	1.3
Fidelity Mgmt. (Overseas eq.)	1.3
American Nat'l Chicago (Equity)	1.2
Assoc. Bank Neenah (World)	1.1
Wells Fargo (Eq.), Calif.	0.7
MSCI EAFE Index	**0.7**
WorldInvest (Fixed)	0.6
State Street Bank (index), Mass.	0.6
PCM Int'l (Foreign bond), N.J.	0.6
Chase Investors (EAFE index)	0.6
MSCI World Index	**0.5**
Confederation Life (Stock), Ga.	0.5
PCM Int'l (Global yield), N.J.	0.4
First Chicago (Eq.)	0.3
Provident Capital (Low p/e), Pa.	0.3
Centerre Trust (Coll. W), Mo.	0.1
Morgan Guaranty (Eq.), N.Y.	0.0
Travelers (Index), Conn.	0.0
Bankers Trust (Eq.), N.Y.	0.0
Aetna Capital-ACMI (Eq.), Conn.	-0.1
Morgan Guaranty (Bond), N.Y.	-0.2
WorldInvest (Eq.)	-0.4
Bessemer Trust (E), N.Y.	-0.6
IDS Trust (Coll. eq.), Minn.	-0.7
U.S. Trust (Eq.), N.Y.	-0.7
Chase Manhattan (Global eq.)	-0.8
CIGNA (Eq.), Conn.	-1.0
Travelers (Eq.), Conn.	-1.0
Connecticut Mutual (Overseas)	-1.0
California First (Invt. eq.)	-1.2
Marine Midland (Eq.), N.Y.	-1.4
Harris Trust (Eq.), Ill.	-1.5
Putnam Fiduciary (Trust)	-1.5
Wellington Trust (Pacific Basin)	-1.8
Wellington Trust (Stock), Mass.	-1.9
Lincoln Nat'l (SA 22), Ind.	-2.7
Wellington Trust (Emerg. eq.)	-3.2
NCNB Texas (Stock)	-3.6
Equitable Capital (Port. 20), N.Y.	-6.8

1-year returns

	%
PCM Int'l (Global bond), N.J.	26.2
First Chicago (Non-$ fixed)	22.2

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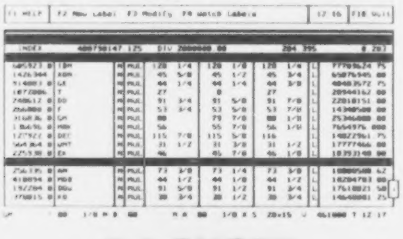

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PCM Int'l (Foreign bond), N.J.	20.2
WorldInvest (Fixed)	19.2
Morgan Guaranty (Bond), N.Y.	17.8
PCM Int'l (Global yield), N.H.	16.3
IAA Trust (CTF-I), Ill.	4.6
Prudential (Index), N.J.	1.3
Wells Fargo (Eq.), Calif.	0.3
Provident Capital (Low p/e), Pa.	0.2
American Nat'l Chicago (Eq.)	0.0
Chase Investors (EAFE index)	−0.1
Travelers (Index), Conn.	−0.2
State Street Bank (Index), Mass.	−0.6
MSCI EAFE Index	**−0.6**
CIGNA (Eq.), Conn.	−4.2
Wellington Trust (Pacific Basin)	−5.0
First Chicago (Eq.)	−5.5
MSCI World Index	**−6.0**
California First (Invt. eq.)	−7.3
Harris Trust (Eq.), Ill.	−7.7
Chase Manhattan (Global eq.)	−7.9
Travelers (Eq.), Conn.	−8.8
Aetna Capital-ACMI (Eq.), Conn.	−8.9
Centerre Trust (Coll. E), Mo.	−10.0
U.S. Trust (Eq.), N.Y.	−10.1
Assoc. Bank Neenah (World)	−10.3
Lincoln Nat'l (SA 22), Ind.	−10.5
The Principal (Stock), Iowa	−10.9
Bankers Trust (Eq.), N.Y.	−12.1
Confederation Life (Stock), Ga.	−12.4
Putnam Fiduciary (Trust)	−12.5
Morgan Guaranty (Eq.), N.Y.	−13.0
Wellington Trust (Stock)	−13.4
Connecticut Mutual (Overseas)	−13.5
PCM Int'l (PRINT eq.), N.J.	−13.8
NCNB Texas (Stock)	−15.2
Equitable Capital (Port. 20)	−15.4
Bessemer Trust (E), N.Y.	−15.4
Wellington Trust (Stock), Mass.	−17.0
Marine Midland (Eq.), N.Y.	−19.0
IDS Trust (Coll. eq.), Minn.	−19.5
Fidelity Mgmt. (Overseas eq.)	−19.7
WorldInvest (Eq.)	−19.8

3-year returns

	%
Wellington Trust (Pacific Basin)	43.2
American Nat'l Chicago (Eq.)	41.1
Chase Investors (EAFE index)	40.8
Prudential (Index), N.J.	40.2
MSCI EAFE Index	**40.1**
State Street Bank (Index), Mass.	40.1
Wells Fargo (Eq.), Calif.	39.8
Provident Capital (Low p/e), Pa.	38.3
WorldInvest (Eq.)	37.2
Bessemer Trust (E), N.Y.	36.3
Fidelity Mgmt. (Overseas eq.)	35.6
Bankers Trust (Eq.), N.Y.	34.9
First Chicago (Eq.)	34.7
Chase Manhattan (Global eq.)	34.6
Centerre Trust (Coll. W), Mo.	34.0
Marine Midland (Eq.), N.Y.	33.5
U.S. Trust (Eq.), N.Y.	33.3
CIGNA (Eq.), Conn.	32.8
NCNB Texas (Stock)	31.1
Wellington Trust (Stock), Mass.	30.9
California First (Invt-eq.)	30.6
Aetna Capital-ACMI (Eq.), Conn.	29.6
MSCI World Index	**29.3**
IDS Trust (Coll. eq.), Minn.	28.8
Putnam Fiduciary (Trust)	28.6
Morgan Guaranty (Eq.), N.Y.	28.3
Confederation Life (Stock), Ga.	28.0
PCM Int'l (Global), N.J.	27.7
First Chicago (Non-$ fixed)	26.1
WorldInvest (Fixed)	25.3
PCM Int'l (Foreign bond), N.J.	24.6
Morgan Guaranty (Bond), N.Y.	20.5

5-year returns

	%
MSCI EAFE Index	**33.6**
American Nat'l Chicago (Eq.)	33.3
Wells Fargo (Eq.), Calif.	32.9
Wellington Trust (Pacific Basin)	29.3
Bankers Trust (Eq.), N.Y.	29.2
WorldInvest (Eq.)	28.5
First Chicago (Eq.)	27.5
Marine Midland (Eq.), N.Y.	26.5
Aetna Capital-ACMI (Eq.), Conn.	25.5
IDS Trust (Coll. eq.), Minn.	25.3
U.S. Trust (Eq.), N.Y.	24.9
PCM Int'l (Global bond), N.J.	24.9
Putnam Fiduciary (Trust)	24.5
Bessemer Trust (E), N. Y.	24.5
Wellington Trust (Stock), Mass.	24.1
Centerre Trust (Coll. W), Mo.	23.5
MSCI World Index	**23.4**
Chase Manhattan (Global eq.)	22.8
NCNB Texas (Stock)	22.7
Morgan Guaranty (Eq.), N.Y.	21.2
First Chicago (Non-$ fixed)	20.5
PCM Int'l (Foreign bond), N.J.	20.3
WorldInvest (Fixed)	20.1
Morgan Guaranty (Bond), N.Y.	17.8

10-year returns

	%
U.S. Trust (Eq.), N.Y.	20.7
MSCI EAFE Index	**20.6**
First Chicago (Eq.)	18.4
MSCI World Index	**17.9**
Morgan Guaranty (Eq.), N.Y.	16.3

Large

Continued from page 14

riods with 18% and 17.1%, respectively.

Bob Fenwick, vice president-investments, said the fund performed well in the quarter because the value of the stocks it holds is beginning to be recognized. "Other people are starting to discover them," he said.

The $2 million fund buys stocks that are cheap relative to the market and their historical p/e ratios. The portfolio has some big names, like **IBM Corp.** and **J.P. Morgan & Co. Inc.**, but also some Mr. Fenwick describes as "off the beaten path," such as **First American Corp.** and **Corning Glass Works.** Some of the stocks held are turnaround situations, such as **Citicorp**, **Union Planters Corp.** and **Coca-Cola Enterprises Inc.**

The fund holds about 20 stocks at a time, with cash between 5% and 15%. Current cash holdings are about 10%, but Mr. Fenwick is bullish on stocks for the long term.

A stellar performer in the quarter, one- and three-year periods was First City Texas, Houston's pooled special equity fund. The portfolio was second for the year, with 17.1%, and fourth for the three-year period, with 28%. The fund placed in the top 10% for the quarter, with 3%. It is too new for other periods.

The $5 million fund buys medium- to large-cap stocks where earnings growth is accelerating, or where earnings are much higher than consensus estimates, said Ted Davis, senior vice president.

The fund also has invested in some companies in which a takeover appeared likely, and has benefited from these moves. A recent example of this was **Budget Rent a Car Corp.**, which was bought out by a management group. The fund bought the stock at $15 a share in early October and tendered it at $28 a share in the management bid, announced later that month.

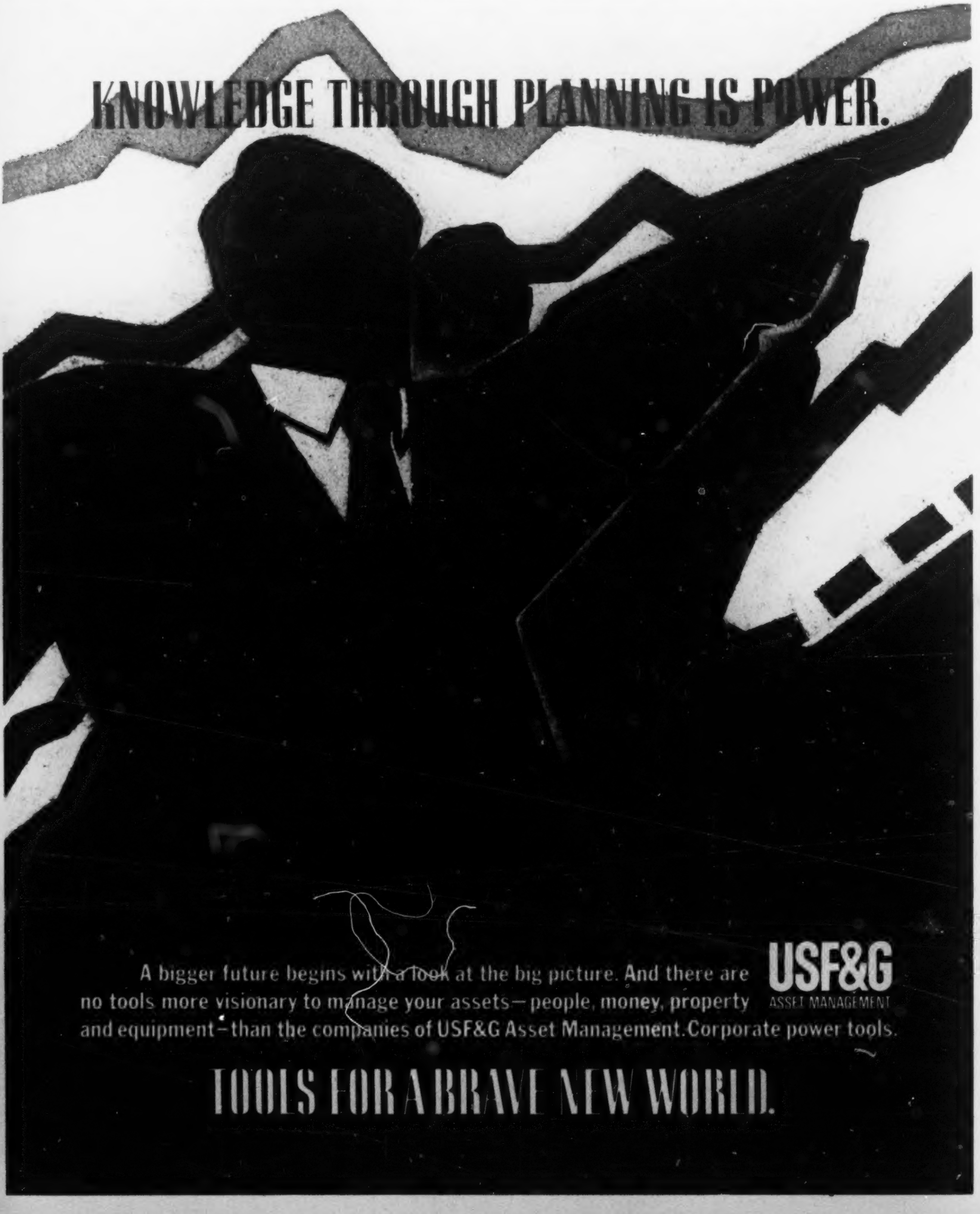
The fund's biggest holdings include **First Executive Corp.**, **Cleveland-Cliffs Inc.** and **Bethlehem Steel Corp.** It usually puts no more than 3% of the fund's assets in a stock. There are never more than 30 names in the portfolio; currently, there are 22.

The fund is holding about 30% in cash. "I think the market is probably, on a short-term basis, oversold," Mr. Davis said. Also, he doesn't hesitate to sell a stock and take profits, he said.

Other top performers for the three years were two funds offered by Shearson Lehman Hutton Trust Co., Wilmington, Del. Its Growth Fund 2 was second, with a compound annualized 37%, and the New Values 3 fund was third, with 35.9%. The Growth Fund 2 also was second for the five years, with 28.2%. Coming in third for the five-year period was New York-based Equitable Capital Management Corp.'s tangible assets fund, with 18.2%.

For the 10-year period, California First Bank, San Diego, took first with its supplemental equity fund, which returned 23.7%. MTrust, Dallas, was second with 20.4%, and Norwest Bank, Minneapolis, was third with 19.3%. ■

The Book of Lists will be published Dec. 25.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Slow trading shows

Investment bank earnings feel the sting

By Marlene Givant Star

Despite robust merger and acquisition activity in the third quarter investment bank earnings were dampened by a sharp slowdown in trading

"Nobody's quarter was fabulous," said Michael Blumstein, equity analyst at First Boston Inc "Retail was obviously very very slow Trading probably had the worst quarter yet"

Half of the six securities firms reported declining profits in the third quarter vs the same period a year ago Net income declined 85% at Shearson Lehman Hutton Inc, 66% at Merrill Lynch & Co Inc and 28% at Morgan Stanley Group Inc, while earnings at Salomon Inc PaineWebber Group Inc and First Boston rose 141%, 41% and 2%, respectively All the firms are based in New York

"For most firms, a meaningful upturn in earnings vs that reported over the past few quarters will be contingent on significantly more individual investor activity, which, at least over the near term, will probably require more strength in the equity and fixed-income markets than is generally anticipated even by the bulls," according to a report by Larry Eckenfelder and Theresa A Matacia, analysts at Prudential-Bache Securities Inc., New York

Not surprisingly, almost all of the firms said in statements they are emphasizing cost control

The trading slump clearly hurt "trading firms" like Salomon and Shearson Lehman Hutton Shearson was "very marginally profitable" because of a lack of big merger and acquisition deals and a retail slump, said Mr Blumstein

Nevertheless, Salomon's bottom line rose 140% to $65 million from a very depressed base of $27 million the previous year

Shearson Lehman Hutton's earnings fell to $8.2 million from $54 million in 1987's third quarter The current quarter's results include a $25 million pre-tax charge for non-recurring expenses related to the acquisition of E.F. Hutton earlier this year The charge and other factors more than offset strong results in investment banking and advisory services, market making and principal transactions

Shearson's commission revenue for the quarter was up 24% from last year, to $351 million, primarily reflecting business added through the Hutton acquisition, while investment banking revenue rose 29% to $330 million. Revenue from market making and principal transactions rose to $273 million this year from $143 million in the third quarter of 1987

Salomon's expenses were significantly below 1987's level Commodities operations had divergent results in the quarter while commercial finance operations contributed $45 million to earnings

A flat yield curve cut into profits Salomon typically makes on overnight financing of its securities inventory positions. Ordinarily the firm might earn a spread of 200 basis points by earning 6.5% on the financings and 8.5% on longer holdings, said Michael Goldstein, an analyst at Sanford C Bernstein & Co Inc., New York

First Boston reported third-quarter net income of $41.7 million compared with $40.8 million in last year's third quarter

A substantial portion of First Boston's earnings came from a one-time gain related to the sale of the firm's interest in Bumble Bee Sea Foods Inc

First Boston also benefited from the merger boom, according to Mr Goldstein

Third-quarter brokerage firm earnings

	Net income ($ thousands)		% change	Earnings per share	
	1988	1987		1988	1987
First Boston	41,700	40,800	2	1.12	1.15
Merrill Lynch	65,600	195,100	−66	0.58	1.72
Morgan Stanley	52,400	72,900	−28	1.96	2.82
PaineWebber	20,928	14,814	41	0.50	0.44
Salomon Brothers	65,000	27,000	141	0.37	0.18
Shearson Lehman Hutton	8,200	54,000	−85	0.02	0.54

Source: From the companies

During the quarter, First Boston, Financiere Credit Suisse-First Boston and CS Holding, an associate of Credit Suisse, signed a definitive merger agreement creating a worldwide investment banking firm, CS First Boston Inc

A strong quarter in mergers and acquisitions combined with weak equity trading netted a rather weak quarter for Morgan Stanley, according to Mr Goldstein The firm earned $52.4 million, a 28% drop from $72.9 million the previous year

Market conditions resulted in reduced principal transactions, commissions revenue and underwriting activities Investment banking revenue from mergers and acquisitions and corporate restructurings were strong, however, as were foreign exchange, commodities and asset management businesses, according to a Morgan Stanley statement

Merrill Lynch, which earned $65.6 million — 66% below the prior year's $195.1 million, did somewhat better than its peers on a relative basis because of increased mergers and acquisitions activity and a big debt trading order flow from its retail branch system, Mr Goldstein said

Merrill is relying more on asset-gathering and fee-based services and cost control to get through the difficult market environment, according to a company statement. Investment banking revenue totaled $379 million for the quarter, representing a quarterly record and a 34% increase from the 1987 quarter.

PaineWebber's $20.9 million earnings incorporated a $46 million gain on the sale of the firm's interest in National Car Rental System Inc. The firm earned $14.8 million during last year's third quarter

Lack of institutional and retail investor activity hurt earnings. Third-quarter expenses included about $20 million in non-recurring costs largely from the movement of the operations division to Lincoln Harbor, N.J.

Overall, the capital markets business was better than the retail side although institutional domestic and non-U.S. equity activity slowed from the second quarter Mergers and acquisition activity was not quite as strong in the third quarter as in the first half of the year, although deal flow has picked up since Labor Day, according to the Prudential-Bache report

In the fourth quarter, Prudential-Bache expects at least modest earnings improvements. Investment banking revenue should rise for most firms with a mergers and acquisitions presence and the overall level of trading activity in both fixed income and equities should show at least some improvement, according to the report. ■

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Secured credit use on the wane

GREENWICH, Conn. — A new study has found corporate America's use of unsecured credit is increasing, while the use of secured credit is declining.

Greenwich Associates, a consulting firm, surveyed more than 15,000 companies with annual sales of $5 million to $50 million and found more than 60% of the companies use one or more of nine unsecured credit services, an increase of 13% since 1985. Unsecured credit may be in the form of confirmed lines of credit for short-term borrowing, revolving loans convertible to term loans, letters of credit to guarantee third-party loans and other credit options.

The proportion of companies using secured credit services has fallen to 68% in 1988 from 76% in 1986. Many are unaware of the possibility of secured borrowing from non-bank financial institutions.

While there are pros and cons to the use of unsecured credit, the study showed some companies still overlook some of the benefits. The company does not have to go through the paper work needed to document its security, and it usually pays less when it borrows on an unsecured basis because it is perceived as having stronger credit.

While companies feel good about their credit quality if they can borrow on an unsecured basis, there is a flip side to this type of borrowing. According to the study, banks should be spending more time with companies to find out more about the borrower. As a result, some of what the company saves on paper work might be lost.

On the secured side, companies are relying less on secured credit services such as equipment loans, loans secured by personal guarantees of owners or officers, plant and property mortgages, and leasing. However, the study suggested companies should at least look into the possibility of borrowing from non-bank institutions.

Slightly more than 18% of the companies use one or more of 10 major non-bank financial institutions. Another 19% that are not using a non-bank financial institution are solicited by one for business.

The survey found the larger the company, the higher the level of borrowing from non-bank sources. The largest companies, those with sales of $20 million to $50 million, have the highest average level of borrowings from non-banks, $768,000. That is six times the average borrowings of smaller companies with sales of $5 million to $9 million, which amounts to $128,000.

A dealer financing program, for instance, can offer significant savings, according to the study. And if a company has equipment to purchase, this type of financing might make the most sense.

The survey also found slightly more than 10% of all companies with sales of $5 million to $50 million use an investment bank, and 5% plan to start using one in the next 24 months. ■

1/3/89

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InvestmentAge

Foreign indexing up 48.4% in year

By Carol Wiley

International investments are continuing to be the leaders among index fund managers — with a 24% increase in assets since May 31, while domestic stock and fixed-income funds reported sluggish growth yet again, a *Pensions & Investment Age* survey shows.

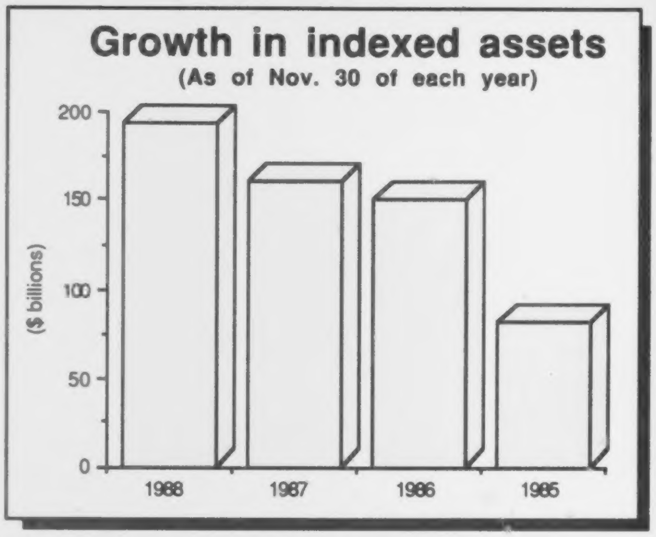
Adjusted for market growth, international index funds grew 10.2% for the six months ended Nov. 30, to a total of $11.3 billion. That total represents a 94.8% overall gain and a 48.4% gain adjusted for the market from a year earlier. (Of the $11.3 billion in international index fumds, $153 million is in international fixed-income.)

Domestic stock index funds, on the other hand, increased 11.3% during the six-month period ended Nov. 30, and 25.2% during the 12 months. Domestic stock index funds grew to $134.6 billion from $120.9 billion six months prior, and from $107.5 billion a year earlier.

Adjusted for market appreciation, domestic stock index funds grew 4.5% for the six months and 9.4% during the year. The Standard & Poor's 500 Stock Index returned 6.5% for the six months and 14.5% for the year ended Nov. 30.

Fixed-income index funds were up slightly — 0.3% — from the May 31 total and up 9.5% overall for the year. Fixed-income indexed assets were $47.96 billion as of Nov. 30, compared with $47.8 billion May 31 and $43.8 billion a year earlier.

Adjusted for market growth, fixed-income index funds declined 3.5% for the six months and grew 2.1% for the year. The Shearson Lehman Hutton Government/Corporate Bond Index returned 3.95% for the six months and 7.2% for the year ended Nov. 30.



Total indexed assets under management by 50 managers totaled $193.8 billion, up an unadjusted 8.9% from the $178 billion reported May 31 and 20.1% since the $161.4 billion a year earlier.

Wells Fargo Investment Advisors, San Francisco, reported the largest gain in the six months. Long the leading

Continued on page 31

Voting redress sought

By Marcia Parker

NEW YORK — Advisers to some institutional investors are talking with Shearson Lehman Hutton Inc. about the possibility of compensation for the loss of voting rights associated with the investment banking firm's new unbundled stock units through a voting trust.

Robert Monks, president of Institutional Shareholder Services Inc., Washington, said he has had preliminary talks with Ron Gallatin, a Shearson Lehman Hutton managing director and a key architect of the unbundled stock units.

Mr. Monks expressed concern the lack of voting rights with the new securities is one way for corporate America to get rid of activist institutional investors, although he acknowledged Shearson Lehman Hutton did not design the securities with that in mind.

Continued on page 31

Oil, gas investing heats up

Torch nets $179 million

By Fred Williams

HOUSTON — The $20 billion General Electric Co. pension fund and several other institutional investors, primarily insurance companies, have made commitments to a $179 million oil and gas production acquisition program managed by Torch Energy Advisors Inc.

In what could be an early indication of increased interest by institutional investors in oil and gas, the program's latest closing drew $69 million. The closing last month follows a December 1987 closing that attracted $88 million and one in 1986 for $22 million.

The program by Torch, a subsidiary of Torchmark Corp., Birmingham, Ala., is structured as a limited partnership for tax-exempt investors, with Torch as the general partner. The blind pool will acquire proven producing oil and gas properties with at least 50% of the properties located on-shore, according to Thomas Harper III, senior vice president-institutional funding.

The minimum return is projected at a 15% compound annual rate, he said, within normal limits.

GE committed approximately $22 million to the 1987 deal and approximately $17 million to the 1988 program, according to GE officials.

Christopher "Kit" Smith, senior vice president at GE Investment Corp., said the Torch deal represents a continuation of the fund's investment in oil and gas. GEIC is a GE-owned investment management firm that manages most of the company's pension assets.

The fund has made other oil and gas invest-

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Proven, on-shore oil and gas properties will comprise at least 50% of an acquisition program managed by Torch Energy Advisors. The firm has attracted $179 million from institutional investors.

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LATE NEWS

LBO bonus for RJR employees

ATLANTA — The new year will bring some extra cash to those RJR Nabisco Inc. employees who participate in the company's 401(k) savings plan.

The leveraged buy-out of the company by Kohlberg Kravis Roberts & Co., expected to be completed in 1989, means the 401(k) participants will share in more than a $320 million cash profit.

As of Sept. 30, the savings plan was worth $896 million, of which 75.6% was company stock, according to company figures. On Sept. 30, the company stock was $55 a share, and the KKR bid included $81 a share in cash plus $28 a share in preferred stocks and convertible debentures.

Robert Shultz, vice president of pension asset management for RJR Nabisco, said the total appreciation of the company stock in the 401(k) portfolio could not be determined now because of unresolved issues about the value of the non-cash segment of the buy-out offer.

Divestiture debate grips 2 states

Oregon's state treasurer has blasted divestiture of South Africa-related securities as costly, while Michigan's treasurer is receiving pressure to divest.

Oregon Treasurer Anthony Meeker told the Oregon Investment Council Dec. 20 that divestiture has cost the $9 billion Oregon Public Employes Retirement System anywhere from 50 to 200 basis points of return on its $4.5 billion stock portfolio. It also has produced $3.7 million in administrative and transaction costs.

The law went into effect this year; the pension fund has to sell stocks in all companies operating in South Africa by Feb. 15, 1992. The fund has sold $190.1 million worth of such stocks. The remaining holdings are valued at $383.2 million.

The council will seek legislation that would require the state's general fund to reimburse the pension fund for administrative, transaction and verifiable lost opportunity costs.

In Michigan, ARC America Corp., Newport Beach, Calif., has called on Treasurer Robert Bowman to divest holdings in Chemical New York Corp., New York, and Minorco, Luxembourg.

Minorco, controlled by South African investors, is seeking to buy ARC America's parent, Consolidated Gold Fields, of the United Kingdom. Chemical Bank is helping finance the offer.

According to Spectrum, published by CDA Investment Technologies Inc., Rockville, Md., the Michigan treasurer's office — which is custodian of the $15.8 billion Michigan State Employees' Retirement Systems — held 9.1 million shares of Minorco, valued at about $100 million, and 962,000 shares of Chemical New York Corp., valued at $30 million, as of Sept. 30.

ARC America officials contend the stocks constitute South Africa-related investments and should be divested under a Michigan law that goes into effect Jan. 1.

Robert Kolt, a spokesman for Mr. Bowman, said the stocks do not fit the state law's definition and therefore are not prohibited investments. "It's unfortunate that our divestiture law has become part of a corporate takeover battle," he added.

California fund details proposal

SACRAMENTO, Calif. — The $46 billion California Public Employees' Retirement System officially has submitted to Texaco Inc. the fund's proposal calling for a bylaw change creating a permanent shareholders committee.

The California fund spelled out in a Dec. 14 letter to Texaco President James Kinnear what the committee would look like. The nine members would serve no more than three consecutive terms. The members would include five eligible stockholders who beneficially own the greatest number of shares of the company's stock and four persons elected by a majority vote of the ranking shareholders.

Plans altering manager rosters

- FORT WORTH, Texas — American Airlines Inc. hired H.D. International, London, to manage a $30 million balanced international portfolio, according to William F. Quinn, president of AMR Investment Services.

In addition, American has made its first investment in real estate by placing $10 million in the Zell-Merrill Lynch Realty Fund, a limited partnership seeking investments in distressed real estate properties.

He said funding will come from existing managers. The portfolios are part of the $1.7 billion American Airlines Fixed Benefit Fund.

- CALABASAS, Calif. — Lockheed Corp., with $7.1 billion in employee benefit assets, has added Hotchkis and Wiley, Los Angeles, as a money manager and dropped Forstmann-Leff Associates Inc., New York, following a reallocation of assets, according to George C. Weintz, investment counsel for the Lockheed plan. The change was not a "one-for-one" relationship, said Mr. Weintz. No other details were available.

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Vol. 16, No. 27 — Pensions & Investment Age (ISSN 0273-5466) is published biweekly with a special edition in May, at 740 Rush St., Chicago, Ill. 60611. Second class postage paid at Chicago, Ill. and at additional mailing offices. Postmaster: Send address changes to Pensions & Investment Age, Circulation Dept. 965 E. Jefferson, Detroit, Mich. 48207. Copyright 1988.

Firms targeting wealthy clients

By Barry B. Burr

Anthony D. Pell says the market for wealthy individuals is "fractured and diverse."

Investment advisers, banks and consultants are adapting a pension fund approach to asset management to grab a share of the dynamic market of money management for wealthy individuals, estimated to be more than $500 billion.

The expansion most typically involves adding more complex investment strategies and consulting services, such as manager searches and performance monitoring.

"It's a very large market," said Alfred P. West Jr., chairman, president and chief executive of SEI Corp., Wayne, Pa. SEI is one of the largest consultants to pension sponsors and a new entrant to the individual market.

"Technology has created a lot of wealth faster," said Brian E. Schaefer, vice president of Ballard Biehl & Kaiser, a San Mateo, Calif.-based investment manager and consultant serving wealthy individuals and pension sponsors.

Much of the new wealth comes from the sale of privately held companies.

Last year, 855 privately held companies were sold for a total of $11.9 billion, according to information from W.T. Grimm & Co., a Chicago-based financial and valuation consultant and business broker, owned by Merrill Lynch & Co., New York.

By contrast, in 1986, 1,598 such companies were sold for $22 billion.

The market is smaller than the pension-fund market, but still is huge.

The Forbes Four Hundred have net worths totaling $220.4 billion, according to the magazine's report last October. By contrast, the 1,000 largest pension funds in the country have assets totaling $1.58 trillion.

Unlike pension fund investments, the Forbes 400 wealth is to a large extent illiquid, tied up in companies they own.

But Jan P. Greer, director of Russell Private Investments, a consulting division of the pension fund advisory company Frank

Continued on page 29

GDP index fund gets 25% of GTE foreign portfolio

By Joel Chernoff

STAMFORD, Conn. — The $9 billion GTE Corp. pension fund will invest roughly $250 million to $300 million in an international index fund weighted by gross domestic product.

Last week, Goldman, Sachs & Co., New York, purchased $140 million of about 400 foreign securities from 16 countries in a program trade for a GDP-weighted index fund to be managed for GTE by Bankers Trust Co. — Investment Management Group, also of New York. The balance of the portfolio already was held by GTE.

The trend toward GDP-weighted funds reflects a desire by pension officials to reduce their exposure to Japan while lowering risk and correlation with U.S. stock indexes and providing equivalent returns.

GTE is in the process of establishing the fund, to be based on a customized version of the FT-Actuaries Europe-Pacific Index. To reduce exposure to volatility in foreign exchange rates, the fund will have a 50% currency hedge.

Nikko Capital Management (U.S.A.), New York, will run the Japanese portion — roughly $100 million — in a tilted index fund, while Bankers Trust will manage the remainder. Goldman, Sachs, which markets the FT-Actuaries World indexes in the United States, will calculate the GDP-weighted benchmark.

GTE intends to invest between 25% and 30% of its more than $1 billion in international assets in the passive portfolios, GTE officials said. They declined to give specific figures.

Bankers Trust previously ran a traditional international index fund based on market capitalization that held less than 10% of GTE's international assets. Those assets were converted to a GDP-weighted basis as part of the overall strategy.

Additional assets are being taken from international managers terminated earlier this year as part of GTE's restructuring of its international investments.

Other funds, including the State of Connecticut Trust Funds, Hartford, and the Yale University endowment fund, New Haven, Conn., have been turning to GDP-weighted international index funds (*Pensions & Investment Age*, Nov. 28).

In part, the moves have been motivated by a desire to reduce the growing proportion Japan has taken in market-cap-weighted indexes, aided by the tremendous appreciation of the yen. As of Sept. 30, Japan accounted for 63.7% of the FT-Actuaries index. In contrast, as of the same date on a GDP-weighted basis, Japan made up only 35.3% of the index.

Other factors, however, also play a role. John Carroll, president of GTE Investment Management Corp., said the adoption of the GDP-weighted benchmark is not so much to reduce Japan as to better reflect the size of individual economies. West Germany "is too important a country" to be restricted to the 4% exposure of a market-weighted index vs. 16% on a GDP-weighted basis, he said.

In addition, if the Japanese stock market were to drop 40%, a market-cap weighted index fund would be forced to sell into a falling market or after a market collapse, he argued. In contrast, a GDP-weighted index might shift, say, two percentage points within a given year.

A GDP-weighted index has both lower risk and lower correlation with the Standard & Poor's 500 Stock Index — thus providing greater diversification — than a standard market-cap-weighted benchmark, Mr. Carroll said. ■

Samuel T. DeKinder is taking a job with INVESCO in Atlanta.

DeKinder leaving DeMarche

By Trudy Ring

KANSAS CITY, Mo. — Samuel T. DeKinder, co-founder and executive vice president of DeMarche Associates Inc., will resign March 31 to join INVESCO Capital Management Inc., Atlanta.

DeMarche clients said they are sorry to see him leave, but expect to receive the same level of service from the consulting firm.

Mr. DeKinder and Robert F. Marchesi, president of DeMarche, founded the firm 14 years ago. DeMarche now has more than 140 clients with combined assets of more than $100 billion, nearly all tax exempt.

"We claim to be the largest independent consulting firm in the United States," Mr. DeKinder said.

The move to INVESCO is an excellent career op-

Continued on page 29

REVIEW & OUTLOOK

Rosy forecast for '89

In this issue, *Pensions & Investment Age* takes a look back at 1988 through charts published in previous issues and a look at what lies ahead in 1989 for the stock and bond markets, cash management and corporate finance industries, international investments and portfolio strategies. The charts and stories appear through page 20.

Chance of recession slight

Although the economy has enjoyed its second longest peacetime expansion, economists surveyed by *Pensions & Investment Age* see only a modest chance of a recession starting in 1989.

On average, the panel of economists gave a lower probability to a recession in 1989 than they gave to a 1988 recession — 22% vs. 32%.

Only one economist surveyed, Robert Dederick, executive vice president and chief economist at The Northern Trust Co., Chicago, saw even a 50% chance of a recession. Geoffrey Dennis, chief international economist for James Capel & Co., saw no chance of a recession in 1989; David Levine, chief economist at Sanford C. Bernstein & Co., saw only a 5% chance.

The economists also are more sanguine about the growth of the economy than they were a year ago. In the first half of 1989 they expect gross national product to grow at an average of 3.4%, and in the second half, they expect growth to slow to a 2% annual rate.

A year ago, they expected a relatively weak 2.1% growth rate in the first half of 1988, followed by a slightly more robust 2.3% in the second.

The most bearish first-half GNP growth figure for 1989 is 2%, shared by Irwin Kellner, chief economist at Manufacturers Hanover Trust, New York, and David Bostian, president of Bostian Research Associates, New York. The most bullish are 6.4% by Mr. Levine and 4.3% by Lacy Hunt, chief economist at Carroll, McEntee & McGinley, New York, Mr. Dederick and Mr. Dennis.

Among the economists surveyed last year, Mr. Hunt's forecasts were the most accurate.

While he expects a moderate first-half growth rate, Mr. Dederick expects the GNP growth rate to drop to just 1% in the second half. The most optimistic second-half forecast, 2.9%, comes from Deborah Allen, president of Claremont Economics Institute, Claremont, Calif.

The economists, on average, do not see a sharp spike in the inflation rate in either half of 1989. The average inflation rate expectation is 4.8% in the first half and 4.9% in the second half. The highest Consumer Price Index projections for both halves came from Messrs. Dennis and Hunt, who each predicted 5.8% in the first half and 6.4% for the second. Likewise, the economists generally do not anticipate a dramatic spike in either short-term or long-term rates, with the highest expected 90-day T-bill rate for July 1 being 9.1% (Mr. Levine) and the highest for Dec. 31 being 9.875% (Mr. Hunt).

The highest expected 30-year Treasury rate projected for July 1 was 11.25% by Mr. Levine, and for Dec. 31 it was 11.4%, also by Mr. Levine. None of the other economists, however, saw the 30-year rate climbing above 10.1% in either half of the year.

None of the economists saw a significant worsening of the federal budget deficit in fiscal 1989 compared with fiscal 1988, and none saw a dramatic improvement. Gradual improvement was the consensus.

On the trade deficit front, most economists saw a continued gradual improvement in the balance of payments compared with the approximately $133 billion deficit this year.

David Littman, vice president and senior economist at Manufacturers National Bank — Detroit, however, expected a dramatic improvement to $57 billion, and Mr. Bostian predicted an improvement to $80 billion.

Mr. Hunt, one of the most optimistic of the economists surveyed, said: "I continue to feel the key is the manufacturing sector and not the consumer."

Among the corporate factors boosting the economy are: corporate profits are up; the backlog of unfilled orders is at a record level; the inventory/sales ratio is at an all-time low; the capacity utilization rate is high; and the dollar has dropped 8% since Sept. 1, which suggests increased exports, Mr. Hunt said.

He believes the economy is still in the acceleration stage.

He also believes, however, interest rates won't peak until 1990 and will be volatile and irregular in the meantime. He believes the Federal Reserve Board will pursue a policy of gradualism. "I don't see a Volcker-type policy where the Fed gets out in front" of the economy, he said. The Fed is wracked with internal dissension, preventing that kind of action, he said.

Robert A. Brusca, senior vice president and chief economist at Nikko Securities Co. International, New York, said the main dangers are the budget deficit and the inflation threat.

With the federal budget deficit,

Continued on page 30

What the experts predict for 1989

Name	GNP		Inflation		90 day T-bills		30-year Treasuries		Federal deficit fiscal '89 ($ billions)	Trade deficit '89 ($ billions)	Chance of recession in '89
	1st half	2nd half	1st half	2nd half	July 1	Dec. 31	July 1	Dec. 31			
Deborah Allen Claremont Economics Institute	2.3%	2.9%	3.3%	3 %	6 %	5.7 %	8.5 %	8.2 %	135	120	10%
David Bostian Bostian Research Associates	2	2.5	4	3.5	7	6	8	7	120	80	25
Robert A. Brusca Nikko Securities International	3.1	1.3	4.7	5.6	8.5	8	10	9.5	146	112	40
Robert Chandross Lloyds Bank in North America	3.6	2	5	5.3	8.6	8.2	9.75	9.3	150	128	20
Robert Dederick Northern Trust Co.	4.3	1	5.1	5.7	9	9	10	9.25	152	122	50
Geoffrey Dennis James Capel & Co.	4.3	2.6	5.8	6.4	8.65	9.2	9.8	10.1	162	122	0
Lacy Hunt Carroll, McEntee & McGinley	4.3	2.6	5.8	6.4	9	9.88	9.38	9.75	164	130	10
Irwin Kellner Manufacturers Hanover Trust Co.	2	2.7	3.9	4.5	7.5	7.4	8.8	9.3	145	115	30
Lawrence Kudlow Bear Stearns & Co.	3.6	1.9	4.4	3.7	7.8	7	8.4	7.7	149	100	20
David Levine Sanford C. Bernstein	6.4	2.4	5.5	6	9.1	9.35	11.25	11.4	130	110	5
Mickey Levy Fidelity Bank	3.9	1.7	4.2	4	7.9	7.2	9	8.5	148	115	30
David Littman Manufacturers National Bank/Detroit	3	1.5	5.2	5.6	8.6	7.2	9.2	8.2	135	57	15
Richard S. Peterson Continental Illinois National Bank & Trust	3.2	2.4	5	4.5	7.65	7.3	9.35	9.15	140	130	10
Richard Rippe Dean Witter Reynolds	3.3	0.6	5.3	4.8	NA	NA	9.8	10.1	154	117	30-35
Georges Rocourt Ganz Capital Management	2.4	0.7	4.8	4.1	8.2	6.6	9.3	8.4	163	129	40
Francis H. Schott Equitable Life Assurance Society	3	1.5	5.3	5.3	8.75	7	9.5	9	140	125	25

Managers expect little from stocks

By Curtis Vosti

Although optimism on the 1989 stock market isn't raging, many money managers see promise in certain segments.

"Two things that affect stock prices are interest rates and profit growth," said John L. Schroeder, chief investment officer for Axe-Houghton Management Inc., Tarrytown, N.Y. "If interest rates come down, it will be because of a recession, but then the profits come down too, and that won't help stocks," he said.

Mr. Schroeder said the trade and budget deficits, combined with inflationary pressures, will continue to press interest rates.

"When there's pressure on the dollar, the (Federal Reserve Board) can't ease up and interest rates remain high," he said.

Axe-Houghton's recommended portfolio mix for 1989 is 60% bonds, 10% cash and 30% stocks, he said. Normally, it would be 70% stocks and 30% bonds.

Most investment management firms contacted by *Pensions & Investment Age* said the outlook is better for bonds than stocks.

"The high-yield (stock) sector doesn't show attractiveness," said Thomas Loeb, president of Mellon Capital Management, San Francisco.

"We would also recommend a lot of fixed income, almost 50%," he said.

J. Parker Hall, president and chief investment officer for Lincoln Capital Management, Chicago, said the unspectacular but steady market in 1988 — one of the two least volatile markets in the past 20 years — leaves his firm without a strong feel for the 1989 market.

"The forecast is kind of dull," he said. "We are neutral on stocks and bonds — neither bullish nor bearish."

William D. Laemmel, an economist/strategist for WR Lazard & Laidlaw Inc., New York, puts it bluntly: "When the market looks bad, move some stuff long."

"We're reasonably cautious because of the interest rate environment," said John Messner, chief investment officer for Meridian Capital Management Ltd., San Diego.

He said the gloomy outlook can be attributed to an inverted yield curve: short-term interest rates are higher than long-term rates. "Historically it's a sign of a recession and a negative market, a lead indicator," he said.

"With interest rates high and with a slowing economy — we expect 2% growth in the first half and 1% the second — in that environment, with 9% to 11% on the short term, the risk of the market seems relatively high," said Mr. Messner.

Market timers Harris Bretall Sullivan & Smith Inc., San Francisco, is investing only 25% of assets in the stock market because of concerns the Fed will raise interest rates out of fear of inflation, according to Lauryn A. Bierdeman, director of marketing.

The firm expects a recession in late 1989 or early 1990, she said, and will become invested up to 50% as the market drops 100 to 200 points.

"We're cautious right now on the market," she said. "When you can get 9¼% for high-grade commercial paper, there is no impetus to put your money into equities."

On the other hand, Albert Zesiger, president of BEA Associates Inc., New York, and Lazard & Laidlaw's Mr. Laemmel think interest rates have peaked.

"Long-term interest rates are not apt to go higher," Mr. Zesiger said.

Despite the less-than-rosy picture overall, managers can point to opportunities in specific market segments.

"We would recommend a more large-capitalization complexion," Mellon's Mr. Loeb said. Since Mellon uses indexing, he said that would mean a reliance on the Standard & Poor's 500 Stock Index.

"However, if one were to move in for at least three years, for a long period, we would not be averse to recommending one-third of the portfolio to small-cap stocks," he said.

Small-capitalization stocks historically have enjoyed an annual run known as the January effect, said Mr. Zesiger. Some of those stocks, especially small-growth companies, are "outstandingly attractive," he said.

Growth stocks usually sell at three times book value, but now are about book value, he said. The growth of the price-to-sales ratio is about 2.5 times below normal, he said.

"This sector of the market looks very interesting," he said.

Mellon's Mr. Loeb thinks highly of the financial sector; the bank industry looks undervalued, he said.

"Although (real estate investment trusts) look undervalued, we don't think the forecasts are particularly good," he said.

Meridian's Mr. Messner said sectors that could shine in 1989 would involve environmental, waste or water treatment companies.

"Water is going to be a rationed commodity domestically as well as internationally," he said. Another segment that could be strong is take-out food packaging, he added.

Better quality financial and retail stocks may be good 1989 bets, according to Mr. Laemmel. Well-managed, low-cost electric power producers, telephone and insurance companies are also available with yields of 5% to 9% to afford some downside protection, he said. ■

CORRECTIONS & CLARIFICATIONS

- The pension fund of **GTE Corp.** is using an international benchmark based on the FT-Actuaries World Indexes Euro-Pacific index. The index was misidentified in the Nov. 14 issue.
- Officials at **Moody's Investors Service**, New York, and **Northwestern National Life Insurance Co.**, Minneapolis, say incorrect figures were provided to *Pensions & Investment Age* for a Nov. 28 chart showing junk bonds as a percentage of insurer bond portfolios. According to the companies, Northwestern's figure for 1987 should be 18.43% and for 1986, 21.69%.

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OPINION

Dealing with deficits

What a difference a year makes. At this time last year the institutional investment world was still in shock from the Oct. 19 market plunge. Many investors and economists were convinced the onset of a recession was imminent, and the market would fall further.

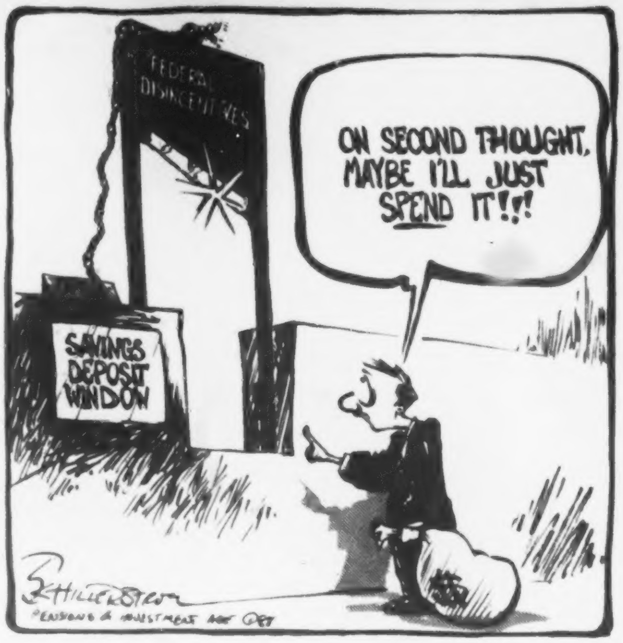
However, 1988 did not parallel 1930 as many had expected. Instead, the stock market seems likely to end the year with a nice gain of about 14%. And despite the damage done to corporate issues by the RJR Nabisco Inc. leveraged buy-out and other buy-outs, the bond market also seems likely to end the year with a modest gain.

This does not mean we are out of the economic woods. The economy faces significant but manageable problems, but none is immediately threatening. The greatest danger is the federal government will inadvertently trigger a recession while attempting to solve the two problems most economists seem to focus on — the budget and trade deficits.

The conventional wisdom is that a significant tax increase is needed to solve both problems. But a minority view holds that a significant tax increase would worsen both deficits by triggering an economic recession. Given that the obvious solution, the conventional wisdom, is more often wrong than right, the chances are the minority view is right.

A recession would worsen the budget deficit, probably worsen the savings and loan crisis and possibly the Third World debt crisis.

A less threatening solution to the economic problems would be a plan to significantly increase the nation's saving rate. From savings would come lower interest rates, greater investment, faster economic growth and greater revenue for the federal government.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Unfortunately, most of the recent tax moves made by the Congress have reduced the incentive to save. Congressional actions in the past two years designed to increase revenue have discouraged personal savings by restricting the use of individual retirement accounts and 401(k) plans, and have limited saving through corporate pension plans by enacting new full-funding limits.

Actions to reverse these disincentives would do more to overcome the major problems in the economy than would significant tax increases.

FROM THE EDITOR

The approach of the holiday season is always greeted with mixed emotions by the staff at *Pensions & Investment Age*. On the one hand, we are as excited as everyone else by the coming of the gift-giving season and the approach of the New Year — a seven-day period of joy and celebration.

On the other hand, it is without a doubt the busiest season of the year. Not only do we publish two issues at a time when four vacation days intervene, and at least a few members of the staff take off the week between the holidays to join their families, but we are also in the throes of preparing the profiles of the nation's 200 largest pension funds that run in our Jan. 23 issue.

As a result we sometimes are too swamped to individually greet and thank those who have helped us during the year, or who have sent us Christmas greetings. For this I apologize.

The reporters, editors and I thank all of you who answered your phones during the year and tolerated and responded to our questions.

We appreciate your taking time out of your busy schedules to give us the benefit of your knowledge and experience so that we might share it with your peers.

We also thank those of you who filled out our questionnaires, whether for the largest pension funds issue, or the investment adviser profiles issue.

We see our mission as the sharing of information, particularly of significant trends, that will help all involved in the capital markets, and especially institutional investors such as pension funds and their managers, do their jobs better.

So on behalf of Andy, Barry, Carol, Christine, Chuck, Curt, Fred, Joel, Kristina, Libby, Marcia, Marlene, Nancy, Pete, Sabine, Steve, Tony and Trudy, I wish you a joyous Christmas and a happy and prosperous New Year.

— *Mike Clowes*

LETTERS TO THE EDITOR

Article misleading

To the Editor: Your "Washington" column of Sept. 19 correctly noted the ESOP Association, while generally supporting the thrust of the Department of Labor's proposed regulations on adequate consideration, has requested clarification on several key points, such as an ESOP's ability to pay a premium and the question of who is "independent" for purposes of ESOP appraisals.

As mentioned in the article, the association "noted that the regulation doesn't define independent appraisal."

However, your article incorrectly stated the ESOP Association believes an accounting firm with an ongoing relationship with the company is not independent.

Although the association has requested guidance from the Department of Labor on this particular issue, we made no recommendation on how they should rule.

David Binns
Executive director
The Employee Stock
Ownership Association
Washington

No alternative

To the Editor: Your Sept. 19 editorial on federal employee pensions — "Goose vs. the gander" — raises some good issues.

The unfunded liability for federal civilian employee pensions is $544 billion, not $2 trillion. More important, the pension fund has no economic reality, because it's invested in U.S. government bonds. Thus, Uncle Sam could pay off the liability any time simply by issuing more IOUs and depositing them into the fund.

One may criticize this essentially unfunded arrangement, but what is the alternative? Would we really want the national political process to determine where to invest billions in stocks, bonds, etc.? And don't forget what would happen to the deficit if the government's contributions went off budget.

The federal employee thrift plan was exempted from non-discrimination rules because they are a burden and serve no useful purpose. But the Ways and Means Committee opposed this exemption, and wouldn't now agree it sets a precedent for the private sector.

Perhaps that's because the public views the many layers of non-discrimination tests about like the Pledge of Allegiance — a good thing that's hard to overdo. We have a long way to go in educating the public and Congress about how to improve and strengthen our employee benefit system.

Richard G. Schreitmueller
Research actuary
A. Foster Higgins & Co.
Princeton, N.J.

15 years of insights

To the Editor: I read with great interest your Oct. 31 issue, "The Capital Markets 15 Years Ahead."

It is first-rate information that we at Russell-Zisler Inc. will retain.

It offers excellent food for thought on the movers and shakers of the capital markets.

Randall C. Zisler
President
Russell-Zisler Inc.
Princeton, N.J.

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CRAIN COMMUNICATIONS INC.,
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Published every other week by Crain Communications, Inc. Offices at 220 E. 42nd St., New York 10017 (editorial: 212/210-0255, advertising: 210-0114); 740 N. Rush St., Chicago 60611 (312/649-5200); 814 National Press Bldg., Washington, D.C. 20045 (202/662-7200); 6404 Wilshire Blvd., Los Angeles 90048 (213/651-3710); 1 NorthPark East, Suite 114, 8950 Central Expwy., Dallas 75231 (214/692-6645).

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WILLIAM STRONG, vp-circulation, JOHN HUFFMAN, fulfillment director. Four weeks notice required for change of address. Address all subscription correspondence to Pensions & Investment Age, 965 Jefferson, Detroit, Mich. 48207. Telex number: 25-4248; Cable address: CRAINCOM. Microfilm copies are available from University Microfilms, 300 N. Zeeb Rd., Ann Arbor, Mich. 48021. Microfiche copies are available from Bell & Howell, Micro Photo Division, Old Mansfield Rd., Wooster, Oh. 44691.

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Profile statistics at a glance

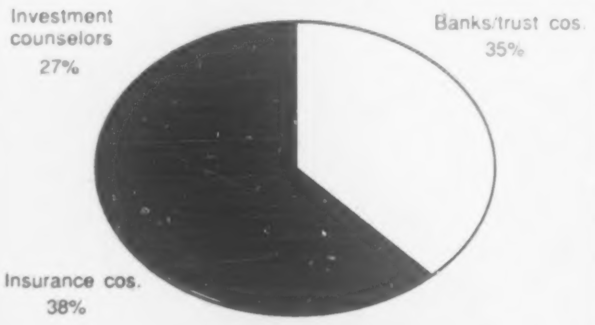
Total managers profiled	**1,010**
Banks, trust cos. and subsidiaries	227
Insurance cos. and subsidiaries	76
Investment counselors	668
Canadian managers*	39
Total portfolio managers employed	**6,687**
Total security analysts employed	**5,419**
Stocks watched closely (average)	
By banks	200
By insurance companies	335
By investment counselors	205
Stocks watched generally (average)	
By banks	665
By insurance companies	1,307
By investment counselors	832
Percentage of in-house research (average)	
By banks	52
By insurance companies	67
By investment counselors	67
No. of managers using options	**266**
No. of managers using stock-index futures	**138**
No. of managers using fixed-income futures	**132**
Total assets managed ($ millions)	**3,035,276**
Top 200	2,291,782
Top 100	2,054,358
Tax-exempt assets managed ($ millions)	**1,686,676**
Top 200	1,412,111
Top 100	1,157,810
Tax-exempt assets managed ($ millions)	
Banks, trust cos. and subsidiaries	581,394
Insurance cos. and subsidiaries	487,055
Investment counselors	618,227
Real estate assets managed ($ millions)	**96,082**
Equity real estate	78,375
Mortgages	17,707
Mortgage-backed securities	**34,462**
International assets managed ($ millions)	**54,717**
Equity	35,562
Bonds	13,524
Cash	3,631
Assets invested in GICs ($ millions)	**117,195**
Assets invested in 401(k) 457 plans ($ millions)	**61,897**

*All other statistics exclude Canadian managers.

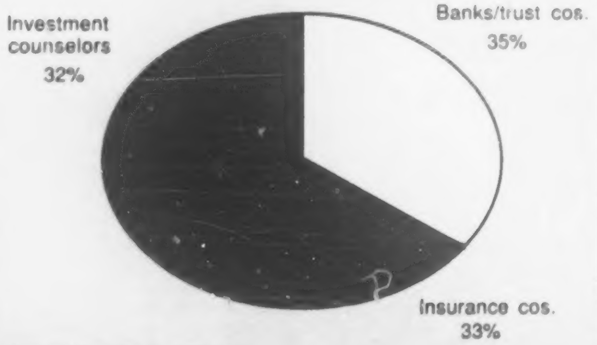
Reprinted from May 23, 1988 issue

Who manages the money?

(the top 100)



(the top 200)



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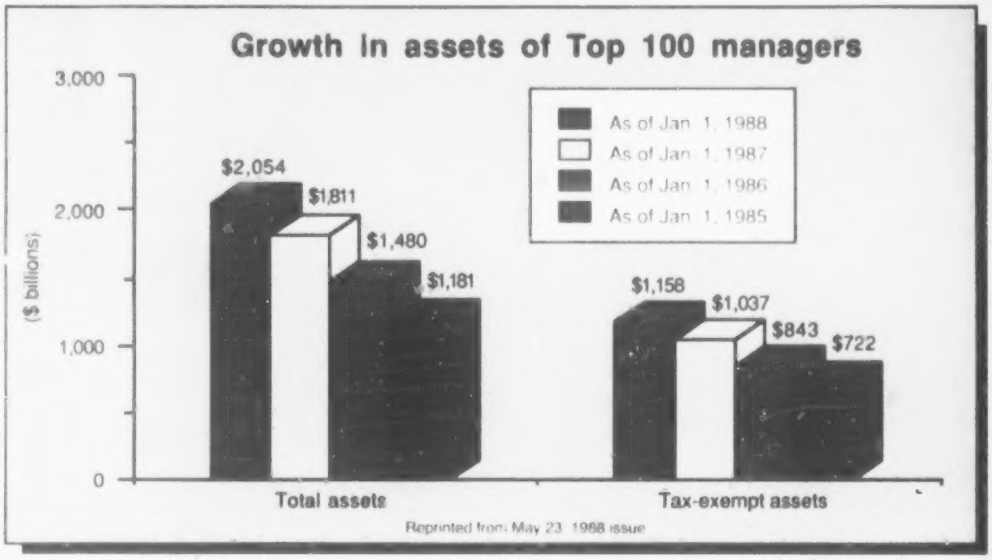
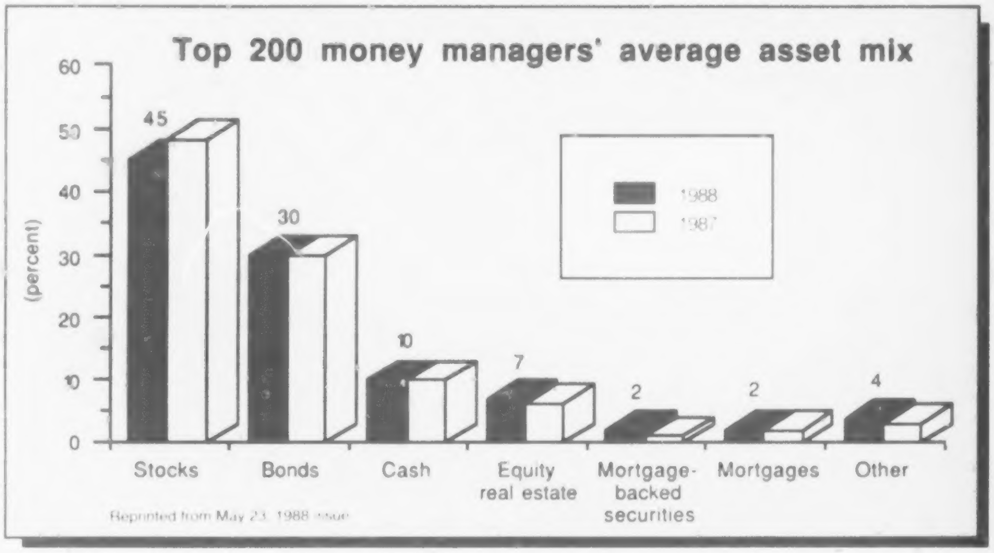
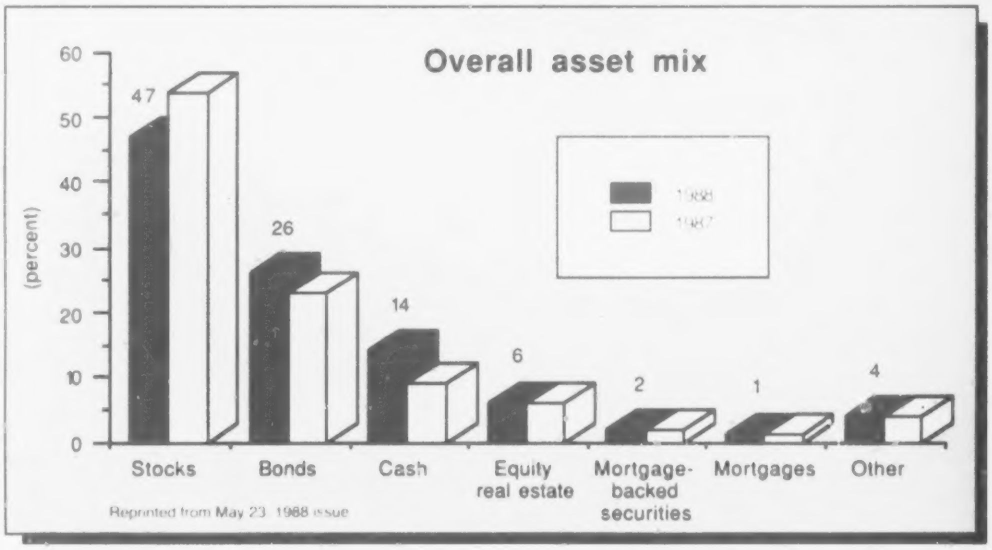

Growth in assets of Top 100 managers

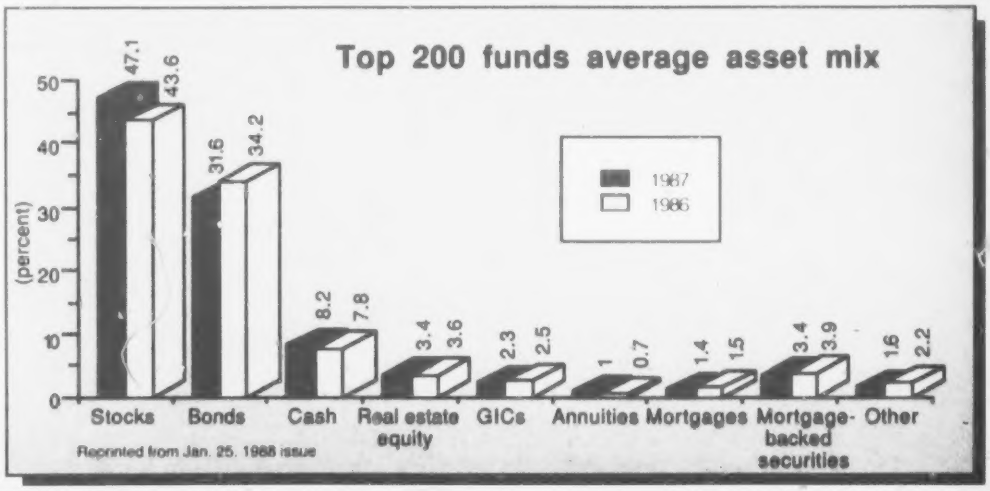
Reprinted from May 23, 1988 issue


Top 200 money managers' average asset mix

Reprinted from May 23, 1988 issue

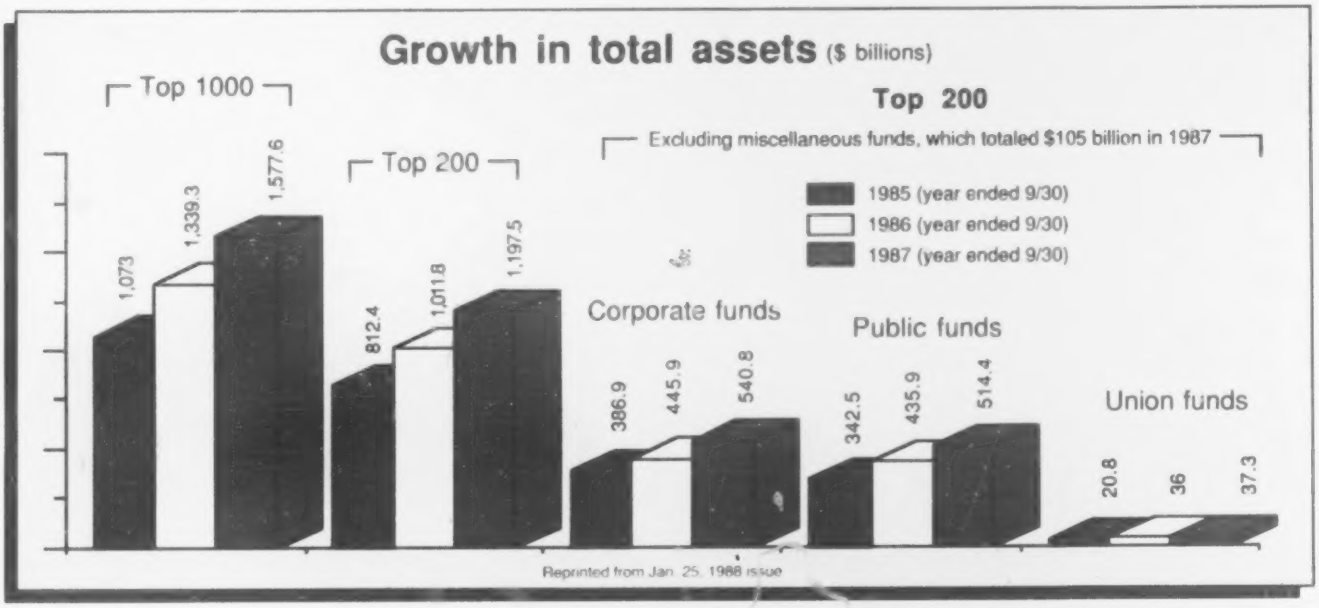

Overall asset mix

Reprinted from May 23, 1988 issue


Top 200 funds average asset mix

Reprinted from Jan. 25, 1988 issue

Growth in total assets ($ billions)



Reprinted from Jan. 25, 1988 issue

1988 underwriting rankings

(Cumulative 9 months — full credit to lead manager)

All issues - global*

Firm	Volume $ mils	Market share (%)
1 First Boston/CSFB** (1)	36,217.4	9.8
2 Merrill Lynch (4)	34,355.5	9.3
3 Goldman, Sachs (5)	31,475.8	8.6
4 Salomon (2)	29,908.2	8.1
5 Morgan Stanley (3)	20,368.5	5.5
6 Shearson Lehman (6)	20,347.9	5.5
7 Drexel Burnham (7)	16,792.4	4.6
8 Nomura (8)	15,385	4.2
9 Daiwa (10)	10,167.9	2.8
10 Deutsche Bank (13)	9,917.1	2.7

* All taxable issues, debt and equity, worldwide
** First Boston/Credit Suisse First Boston
Source: IDD Information Services, New York
Numbers in parentheses show the firm's 3rd qtr. 1987 ranking

All issues - domestic*

Firm	Volume $ mils	Market share (%)
1 Merrill Lynch (3)	29,142.3	14.1
2 Goldman, Sachs (5)	28,554.7	13.8
3 Salomon (1)	26,238.7	12.7
4 First Boston (2)	23,921.9	11.6
5 Shearson Lehman (6)	19,187.2	9.3
6 Morgan Stanley (4)	17,532.6	8.5
7 Drexel Burnham (7)	16,762.4	8.1
8 Prudential-Bache (10)	8,093.6	3.9
9 Bear, Stearns (9)	7,070	3.4
10 PaineWebber (14)	5,297.2	2.6

* All taxable issues, debt and equity, sold in U.S. only
Source: IDD Information Services, New York
Numbers in parentheses show the firm's 3rd qtr. 1987 ranking

All issues - domestic*

Firm	Volume $ mils	Market share (%)
1 Merrill Lynch (2)	21,991.6	16.4
2 Salomon (4)	17,109.4	12.8
3 First Boston (3)	15,915.5	11.9
4 Goldman, Sachs (5)	15,677.8	11.7
5 Drexel Burnham (6)	13,018.4	9.7
6 Shearson Lehman (7)	12,913.2	9.6
7 Morgan Stanley (1)	11,414.4	8.5
8 Prudential-Bache (12)	3,836.8	2.9
9 Smith Barney (9)	3,056	2.3
10 PaineWebber (15)	3,011	2.3

* All taxable issues, debt and equity, excluding mortgage related and agency issues sold in U.S. only
Source: IDD Information Services, New York
Numbers in parentheses show the firm's 3rd qtr. 1987 ranking

All debt issues

Firm	Volume $ mils	Market share (%)
1 Goldman, Sachs (5)	26,987.1	15.4
2 Salomon (1)	25,006.3	14.3
3 Merrill Lynch (3)	23,413.4	13.4
4 First Boston (2)	22,415.7	12.8
5 Morgan Stanley (4)	16,306.7	9.3
6 Drexel Burnham (7)	14,466.9	8.3
7 Shearson Lehman (6)	14,431.8	8.2
8 Bear, Stearns (9)	6,913.1	3.9
9 Prudential-Bache (10)	5,778.7	3.3
10 Kidder, Peabody (8)	3,964	2.3

Source: IDD Information Services, New York
Numbers in parentheses show the firm's 3rd qtr. 1987 ranking

Non-investment grade debt

Firm	Volume $ mils	Market share (%)
1 Drexel Burnham (1)	9,626.1	50.2
2 First Boston (2)	2,408.1	12.6
3 Salomon (5)	1,425.9	7.4
4 Morgan Stanley (3)	1,392.3	7.3
5 Prudential-Bache (15)	1,181.7	6.2
6 DLJ (6)	776.3	4
7 Merrill Lynch (4)	685	3.6
8 Smith Barney (11)	498.1	2.6
9 Goldman, Sachs (7)	385.2	2
10 PaineWebber (13)	359.7	1.9

Source: IDD Information Services, New York
Numbers in parentheses show the firm's 3rd qtr. 1987 ranking

Mortgage-related debt

Firm	Volume $ mils	Market share (%)
1 Goldman, Sachs (4)	12,876.8	17.9
2 Salomon (1)	9,129.3	12.7
3 First Boston (2)	7,924.2	11
4 Merrill Lynch (3)	7,090.8	9.9
5 Shearson Lehman (6)	6,256.7	8.7
6 Morgan Stanley (5)	6,118.2	8.5
7 Bear, Stearns (9)	5,718.7	8
8 Prudential-Bache (10)	4,246.8	5.9
9 Drexel Burnham (8)	3,743.9	5.2
10 Kidder, Peabody (7)	2,527.1	3.5

Source: IDD Information Services, New York
Numbers in parentheses show the firm's 3rd qtr. 1987 ranking

Initial public offerings

Firm	Volume $ mils	Market share (%)
1 Merrill Lynch (2)	3,834.3	20.2
2 Shearson Lehman (3)	3,628.3	19.1
3 PaineWebber (9)	2,394.6	12.6
4 Prudential-Bache (8)	2,184.1	11.5
5 Wheat, First Securities (5)	2,150	11.3
6 Alex. Brown & Sons (4)	1,003.7	5.3
7 First Boston (11)	562.8	3
8 Goldman, Sachs (1)	551.6	2.9
9 Drexel Burnham (7)	532.9	2.8
10 Salomon (6)	392.3	2.1

Source: IDD Information Services, New York
Numbers in parentheses show the firm's 3rd qtr. 1987 ranking

Common stock

Firm	Volume $ mils	Market share (%)
1 Merrill Lynch (1)	4,266.3	18
2 Shearson Lehman (3)	4,210.7	17.7
3 PaineWebber (13)	2,461.9	10.4
4 Prudential-Bache (12)	2,314.9	9.7
5 Wheat, First Securities (8)	2,150	9
6 Drexel Burnham (4)	1,631.7	6.9
7 Alex. Brown & Sons (5)	1,118.4	4.7
8 Goldman, Sachs (2)	827.6	3.5
9 Salomon (9)	718.9	3
10 First Boston (7)	578.2	2.4

Source: IDD Information Services, New York
Numbers in parentheses show the firm's 3rd qtr. 1987 ranking

Preferred stock

Firm	Volume $ mils	Market share (%)
1 Merrill Lynch (3)	1,200	22.9
2 First Boston (2)	778	14.8
3 Goldman, Sachs (4)	740	14.1
4 Shearson Lehman (7)	544.7	10.4
5 Kidder, Peabody (6)	534	10.2
6 Salomon (5)	513.5	9.8
7 Morgan Stanley (1)	275	5.2
8 Drexel Burnham (8)	203.9	3.9
9 Smith Barney (NA)	135	2.6
10 DLJ (12)	109.1	2.1

Source: IDD Information Services, New York
Numbers in parentheses show the firm's 3rd qtr. 1987 ranking

Reprinted from Oct. 17, 1988 issue

25 largest banks and trust companies* ranked by tax-exempt assets

Firm	$ millions
Bankers Trust	52,807
J.P. Morgan	51,115
Wells Fargo	50,716
Mellon Bank	42,230
State Street Bank	26,930
Citicorp	17,246
Capital Group	16,968
Chase	15,900
Northern Trust	13,168
Fiduciary Trust	12,744
Trust Co./West	10,306
Chemical	10,039
First RepublicBank	9,992
American Nat'l/Chicago	9,763
First Chicago	9,245
Harris Trust & Savings	8,793
First Interstate	8,094
Security Pacific	6,885
AmeriTrust	6,438
Boatmen's Nat'l/St. Louis	5,711
Irving Trust	5,341
Fidelity Mgmt. Trust	5,206
ASB	4,983
First Bank System	4,926
PNC	4,911
Total	**410,457**

*Includes subsidiaries' assets
Reprinted from May 23, 1988 issue

25 largest independent investment managers*

Firm	$ millions
GE Investments	19,900
Mitchell Hutchins Inst'l	18,427
Boston Co.	15,572
Miller, Anderson, Sherrerd	14,856
Lehman Mgmt.	11,920
Oppenheimer Capital	11,914
Delaware Investment	11,216
INVESCO Capital	10,602
Scudder, Stevens & Clark	10,495
RCM Capital	9,675
Fischer, Francis, Trees	9,200
Fayez Sarofim	9,160
T. Rowe Price	8,705
Sanford C. Bernstein	8,600
Wellington Mgmt./TDP&L	8,523
Criterion Investment	8,432
Morgan Stanley Asset	8,292
Lazard Freres	7,550
Lincoln Capital	7,388
BEA Associates	7,206
Batterymarch Financial	6,748
Neuberger & Berman	6,581
Brown Brothers Harriman	6,406
Fidelity Mgmt. & Research	6,000
Capital Supervisors	5,852
Total	**249,220**

*Excludes bank and insurance company subsidiaries
Reprinted from May 23, 1988 issue

25 largest insurance companies* ranked by tax-exempt assets

Firm	$ millions
Prudential	77,841
Equitable	56,430
Metropolitan Life	52,506
Aetna Life	40,586
The New England	31,452
Travelers	27,522
CIGNA	21,705
Pacific Mutual	20,149
The Principal	18,216
John Hancock Financial	17,797
New York Life	16,710
Mass Mutual Life	9,300
MONY Financial	8,240
Marsh & McL (Putnam)	7,361
VALIC	7,064
Transamerica Investment	6,188
Mutual Benefit Life	5,530
Great-West Life	5,500
Liberty Mutual (Stein Roe)	5,266
Provident Nat'l Assurance	4,951
Nationwide Life	3,934
UNUM Life	3,841
Continental Assurance	3,721
N'west Nat'l (Wash. Sq.)	3,699
Hartford Life	3,336
Total	**454,854**

*Includes subsidiaries' assets
Reprinted from May 23, 1988 issue

Summary of voting results of 1988 shareholders

	Georgeson — Voting for proposal as a % of: Votes cast with abstentions	Georgeson — Voting for proposal as a % of: Votes outstanding no abstentions	IRRC — Voting for proposal as a % of: Votes cast no abstentions
Shareholder rights			
Consolidated Freightways	42.4	34.8	45.8
Allied-Signal	31.5	24.5	32.6
Panhandle Eastern	34.8	27.9	37.4
Sonat	27.8	20.5	31.3
MCA	21.7	17.5	26.3
Kerr McGee	38.8	29.9	45.5
USAir	47.7	34.4	51.9
Coleman	35.4	25.8	35.7
Dayton Hudson	47.5	28.1	48.4
United Technologies	28.6 (28.3)	23.7 (24.3)	33.5 (32.9)
Great Northern Nekoosa	43.7 (43.7)	32.2 (28.6)	47.0 (40.2)
Pitney Bowes	28.8 (32.6)	21.5 (23.9)	32.5 (32.6)
Emery Air Freight	38.7 (33.9)	20.3 (26.0)	39.3 (41.4)
International Paper	25.7 (26.3)	15.1 (18.7)	27.0 (27.7)
Champion International	23.6 (30.7)	18.9 (19.9)	28.2 (33.2)
Upjohn	30.0 (34.5)	21.1 (26.8)	31.1 (40.0)
AMR	40.5 (37.9)	29.6 (27.4)	45.9 (45.9)
Santa Fe Southern Pacific	59.1 (20.1)	49.1 (14.0)	61.2 (20.1)
J.C. Penney	32.7 (31.6)	27.0 (25.3)	35.2 (31.5)
Confidential voting			
Honeywell	17.1	13.0	20.1
Manufacturers Hanover	9.9	8.2	13.1
Champion Spark Plug	7.3	5.7	7.3
Phelps Dodge	28.1	18.8	27.9
Ryder Systems	22.0	18.2	25.3
Lockheed	16.2	12.7	19.3
American Home Products	9.4	7.4	11.9
Santa Fe Southern Pacific	28.9	24.1	29.9
Upjohn	14.3	10.0	14.8
Equal access			
Bank of Boston	6.8	5.6	7.6
Unocal	11.0	8.9	11.6
Amoco	8.0	6.3	8.3
Chevron	6.8	4.9	7.1
Texaco	NA	NA	NA
Mobil	NA	NA	9.3
Anti-greenmail			
CBS	7.0	4.6	7.0
General Motors	19.4	14.3	22.1
Tenneco	19.2	15.5	28.2
Gillette	54.6	41.1	55.7
J.C. Penney	27.2	22.4	34.0

Numbers in parenthesis indicate 1987 figures

Reprinted from *Pensions & Investment Age*, June 27, 1988

Top 50 managers ranked by total U.S. tax-exempt assets in global accounts (as of March 31)

	($ millions)
Templeton International	2,076
Batterymarch	944
WorldInvest	735
PCM International	567
Warburg Investment	533
Rowe Price-Fleming	446
Fiduciary Trust*	444
Morgan Grenfell	409
J.P. Morgan	290
State Street Bank	278
Posthorn Global	276
Fidelity International	275
Capital Guardian	243
Beutel, Goodman	241
Citicorp Investment	205
Massachusetts Financial	175
Wertheim-Philippe	171
Bankers Trust	147
Schroder Capital	136
Martin Currie	125
Wells Fargo	121
IDS International	118
First Chicago	116
Julius Baer	114
Scudder, Stevens & Clark	73
N.M. Rothschild	59
Lombard Odier	57
Alliance Capital	23
Walter Scott	20
ABD International	16
Brown Brothers Harriman	15
G.T. Capital	15
SBC Portfolio Mgmt.	13
Nomura Capital	11
Hill Samuel/Investment Advisers	3
American National Bank	0
Baring International	0
Bessemer Group*	0
Arnhold & S. Bleichroeder	0
Boston Co.	0
Boston International	0
Capital Mgmt. International	0
Chase Investors	0
Daiwa International	0
Grantham Mayo Van Otterloo	0
Kemper-Murray Johnstone	0
Mellon-Pictet	0
Oechsle International	0
Putnam Advisory	0
Wellington International	0
TOTAL	**9,490**

* As of Dec. 31, 1987

Reprinted from June 27, 1988 *Pensions & Investment Age*

Top 50 managers ranked by total U.S. tax-exempt assets in international and global accounts

	($ millions)
State Street Bank	4,031
J.P. Morgan	2,726
Capital Guardian	2,701
Morgan Grenfell	2,684
First Chicago	2,314
Templeton International	2,076
Rowe Price-Fleming	2,057
Grantham Mayo	1,981
Batterymarch	1,960
Baring International	1,902
Fidelity International	1,825
Schroder Capital	1,736
WorldInvest	1,424
Warburg Investment	1,324
N.M. Rothschild	1,221
Nomura Capital	1,141
PCM International	985
Wells Fargo	971
Citicorp Investment	806
Oechsle International	743
Posthorn Global	672
Brown Brothers Harriman	646
G.T. Capital	628
Mellon-Pictet	611
Julius Baer	610
Bankers Trust	607
Alliance Capital	602
IDS International	566
Scudder, Stevens & Clark	565
Fiduciary Trust*	560
Kemper-Murray Johnstone	498
Daiwa International	481
ABD International	359
Arnhold & S. Bleichroeder	320
Capital Mgmt. International	261
Martin Currie	260
Chase Investors International	250
SBC Portfolio Mgmt	249
Wellington International	245
Beutel, Goodman	241
Putnam Advisory	289
Walter Scott	237
Hill Samuel/Invest. Advisers	228
American National Bank	221
Lombard Odier	217
Bessemer Group*	190
Boston International	181
Massachusetts Financial	175
Wertheim-Philippe	171
Boston Co.	167
TOTAL	**47,865**

* As of Dec. 31, 1987

Reprinted from June 27, 1988 *Pensions & Investment Age*

Top 50 managers ranked by total U.S. tax-exempt assets in international accounts (as of March 31)

	($ millions)
State Street Bank	3,753
Capital Guardian	2,458
J.P. Morgan	2,436
Morgan Grenfell	2,275
First Chicago	2,198
Grantham Mayo	1,981
Baring International	1,902
Rowe Price-Fleming	1,611
Schroder Capital	1,600
Fidelity International	1,550
N.M. Rothschild	1,162
Nomura Capital	1,130
Batterymarch	1,016
Wells Fargo	850
Warburg Investment	791
Oechsle International	743
WorldInvest	689
Brown Brothers Harriman	631
G.T. Capital	613
Mellon-Pictet	611
Citicorp Investment	601
Alliance Capital	578
Kemper-Murray Johnstone	498
Julius Baer	496
Scudder, Stevens & Clark	492
Daiwa International	481
Bankers Trust	460
IDS International	448
PCM International	418
Posthorn Global	396
ABD International	343
Arnhold & S. Bleichroeder	320
Capital Mgmt. International	261
Chase Investors	250
Wellington International	245
Putnam Advisory	239
SBC Portfolio Mgmt.	236
Hill Samuel/Invest. Advisers	225
American National Bank	221
Walter Scott	217
Bessemer Group*	190
Boston International	181
Boston Co.	167
Lombard Odier	160
Martin Currie	135
Fiduciary Trust*	116
Beutel, Goodman	0
Massachusetts Financial	0
Templeton International	0
Wertheim-Philippe	0
TOTAL	**38,374**

* as of Dec. 31, 1987

Reprinted from June 27, 1988 *Pensions & Investment Age*

HOT MANAGERS

Most new accounts - 1988

1st quarter

Firm	
Union Labor Life Insurance	6
HGM Associates	4
Avatar Associates	3
Equitable Real Estate	3
Metropolitan Life	3
JMB Institutional Realty	3
WorldInvest	3

Reprinted from April 4, 1988 *Pensions & Investment Age*

2nd quarter

Firm	
First Chicago Investment	9
Security Capital Real Estate	7
Harris Trust	5
Trust Co. of the West	5
Miller, Anderson & Sherrerd	4
J&W Seligman	4

Reprinted from July 11, 1988 *Pensions & Investment Age*

3rd quarter

Firm	
Wells Fargo	6
Copley Real Estate	5
First Chicago	4
The Common Fund	4
Invexco	4

Reprinted from Oct. 3, 1988 *Pensions & Investment Age*

Most new assets - 1988

1st quarter

Firm	$ mils.
HGM Associates	185
Equitable Life Assurance	180
TCW Asset Management	170
Fidelity Management Trust	90
J&W Seligman	80
JMB Institutional Realty	68
Boston Co.	60
Equitable Real Estate	55

Reprinted from April 4, 1988 *Pensions & Investment Age*

2nd quarter

Firm	$ mils.
Bankers Trust	189
Wells Fargo	160
Morgan Stanley	140
Denver Investment	130
Nomura Capital	125
Oechsle International	120

Reprinted from July 11, 1988 *Pensions & Investment Age*

3rd quarter

Firm	$ mils.
State Street Bank	1,250
Wells Fargo	660
First Investment	650
Baring International	515
Warburg	500
Fiduciary Trust	500

Reprinted from Oct. 3, 1988 *Pensions & Investment Age*

Real estate investment advisers ranked by tax-exempt assets

		Tax-exempt assets ($ mils.)				Total assets ($ mils.)			
		Total	Equity	Hybrid debt	Mortgages	Total taxable/tax-exempt	Equity	Hybrid debt	Mortgages
1	Copley Real Estate Advisors **	8,698	8,698	—	—	12,099	12,099	—	—
2	Equitable Real Estate Investment Mgmt	8,318	7,712	169	437	33,705	22,683	1,804	9,218
3	JMB Institutional Realty	6,800	6,800	—	—	21,500	21,500	—	—
4	Prudential Realty Group	5,171	4,740	220	211	37,813	14,695	220	22,898
5	Heitman Advisory	4,881	4,881	—	—	5,153	5,153	—	—
6	Aetna Life and Casualty	4,689	3,505	1,130	54	26,823	4,857	1,130	20,836
7	RREEF	3,072	3,072	—	—	3,495	3,495	—	—
8	Aldrich, Eastman & Waltch	2,573	545	1,800	228	2,645	617	1,800	228
9	Boston Co. Real Estate Counsel	2,390	660	1,730	—	2,390	660	1,730	—
10	Richard Ellis	2,381	2,175	206	—	5,067	4,861	206	—
11	F.I.A. Associates	2,340	1,167	1,012	161	2,340	1,167	1,012	161
12	TCW Realty Advisors	2,285	1,832	453	—	2,285	1,832	453	—
13	LaSalle Advisors	2,216	2,216	—	—	2,216	2,216	—	—
14	Corporate Property Investors	2,151	2,151	—	—	3,679	3,679	—	—
15	Balcor Institutional Realty Advisors	1,852	353	1,499	—	7,000	5,000	2,000	—
16	CIGNA Asset Advisers	1,728	1,470	258	—	12,790	2,613	258	9,919
17	J.P. Morgan Investment Mgmt	1,344	377	967	—	1,475	404	1,071	—
18	McMorgan	1,300	400	100	800	1,300	400	100	800
19	Lehndorff & Babson Real Estate Counsel	1,253	1,253	—	—	2,400	2,400	—	—
20	Mellon Real Estate Investment Mgmt	1,220	586	385	249	1,220	586	385	249
21	Sentinel Real Estate	1,218	1,218	—	—	1,436	1,436	—	—
22	Latimer & Buck	1,213	—	562	651	1,213	—	562	651
23	Jones Lang Wootton Realty Advisors	1,200	800	400		1,200	800	400	—
24	First Chicago Investment Advisors	995	983		12	1,039	1,027	—	12
25	Coldwell Banker Capital Mgmt Services	968	925	43	—	968	925	43	—
26	Lomas Advisors	925	—	755	170	925		755	170
27	O'Connor Group	902	797	105	—	1,170	1,065	105	—
28	Alex. Brown Realty Advisors	882	40	813	29	1,284	40	1,215	29
29	Wells Fargo Realty Advisers	850	219	296	335	971	340	296	335
30	L.J. Melody	838		453	385	1,992	—	665	1,327
31	PSI Institutional Realty	812	812			2,400	2,400		—
32	Kennedy Associates Real Estate Counsel	796	486	291	19	796	486	291	19
33	Metropolitan Life	774	714	—	60	23,920	9,364	—	14,556
34	Property Capital Associates	770	770	—	—	770	770	—	—
35	Eastdil Realty	765	705	27	33	1,090	705	27	358
36	First Wachovia	708	602	39	67	708	602	39	67
37	MIG Realty Advisors	705	369	224	112	705	369	224	112
38	NCNB National Bank	629	537	92	—	629	537	92	—
39	Citicorp Investment Mgmt	628	278	34	316	773	423	34	316
40	First Interstate Mortgage	585	35	50	500	585	35	50	500
41	John Hancock Properties	570	570	—	—	2,139	2,139	—	—
42	Karsten Institutional Realty Advisors	565	468	6	91	767	670	6	91
43	Cabot, Cabot & Forbes Realty Advisors	500	500	—	—	500	500	—	—
44	August Am Cal Advisors	465	186	—	279	871	250	—	621
45	State Street Bank and Trust *	455	213	139	—	455	213	139	—
46	Travelers	449	405	—	44	19,803	1,569	—	18,234
47	McMahan Real Estate Advisors	438	329	109	—	556	417	139	—
48	Union Labor Life Insurance	413	—	—	413	887	—	—	887
49	Schroder Real Estate Associates	411	411	—	—	1,300	1,294	—	6
50	Chesterton International	383	288	91	4	383	288	91	4

Reprinted from PROPERTY, *Pensions & Investment Age*, Sept. 19, 1988

Top 10 real estate managers ranked by tax-exempt assets in:

Real estate equity

	$ millions
Copley Real Estate*	8,698
Equitable Real Estate	7,712
JMB Institutional	6,800
Heitman Advisory	4,881
Prudential Realty	4,740
Aetna	3,505
RREEF	3,072
LaSalle Advisors	2,216
Richard Ellis	2,175
Corporate Property Investors	2,151
TOTAL	**45,950**

Data as of March 31, 1988

Hybrid debt

	$ millions
Aldrich, Eastman & Waltch	1,800
Boston Co. Real Estate	1,730
Balcor Institutional	1,499
Aetna	1,130
F.I.A. Associates	1,021
J.P. Morgan Investment	967
Alex. Brown Realty	813
Lomas Advisors	755
Latimer & Buck	562
TCW Realty Advisors	453
L.J. Melody	453
TOTAL	**11,174**

Mortgages

	$ millions
McMorgan	800
Latimer & Buck	651
First Interstate Mortgage	500
Equitable Real Estate	437
Union Labor Life	413
L.J. Melody	385
Wells Fargo Realty	335
ASB Capital	324
Citicorp	316
August-Am Cal	279
TOTAL	**4,440**

Reprinted from PROPERTY, Sept. 19, 1988 *Pensions & Investment Age*

Foreign institutional assets managed by U.S. firms in U.S. markets

($ millions - as of March 31, 1988)

	Non-U.S. assets	Equity	Fixed	Balanced	Real estate	Other	Total assets
J.P. Morgan Investment Mgmt	11,469	3,674	223	6,774	494	304	54,741
Citicorp Investment Mgmt	7,786	2,008	311	4,502	150	815	13,160
Chase Investors Mgmt	4,882	555	1,031	752	2,497	47	22,172
Morgan Stanley Asset Mgmt	3,709	2,103	1,015	489	—	102	14,188
Richard Ellis	2,700	—	—	—	2,700	—	3,606
Bankers Trust	2,647	837	1,361	241	—	208	79,369
Fischer, Francis, Trees & Watts	2,200	—	2,200	—	—	—	12,200
Chemical Investment Group	2,192	60	1,841	—	—	291	14,951
Alliance Capital Mgmt	1,985	1,695	9	281	—	—	32,332
Prudential Asset Mgmt	1,155	116	361	36	636	6	174,700
Batterymarch Financial Mgmt	1,132	1,132	—	—	—	—	8,676
INVESCO MIM Int'l	1,130	660	180	250	—	40	30,850
Merrill Lynch Asset Mgmt	1,046	366	262	418	—	—	81,000
Capital Group	939	771	13	—	—	155	36,298
Manufacturers Hanover Trust	932	—	767	165	—	—	9,200
State Street Bank and Trust	912	803	—	—	—	109	32,100
Schroder Real Estate Associates	825	—	—	—	825	—	1,300
Wells Fargo Investment Advisors	765	765	—	—	—	—	56,080
Scudder, Stevens & Clark	535	44	62	429	—	—	37,000
Atlanta Capital Mgmt	508	26	19	463	—	—	1,483
First Boston Asset Mgmt	484	50	434	—	—	—	4,500
Irving Trust	427	[illegible]	105	—	—	299	7,024
Confederation Life	385	385	—	—	—	—	9,000
Mitchell Hutchins	383	20	260	103	—	—	36,905
Rosenberg Institutional Equity Mgmt	284	284	—	—	—	—	2,251
Travelers Asset Mgmt. Int'l	270	—	270	—	—	—	938
Equitable Real Estate Investment	256	—	—	—	256	—	29,553
Fiduciary Trust Co. Int'l	230	2	76	152	—	—	15,500
Templeton Int'l	208	208	—	—	—	—	12,485
Roll and Ross Asset Mgmt.	200	150	50	—	—	—	2,500
Dewey Square Investors	199	—	42	157	—	—	3,600
BEA Associates	176	66	58	52	—	—	7,495
Burgess Capital	145	145	—	—	—	—	185
Miller, Anderson & Sherrerd	145	145	—	—	—	—	15,227
IDS Advisory Group	121	87	34	—	—	—	6,143
Lazard Freres Asset Mgmt.	109	81	—	28	—	—	9,792
Other	1,090	710	145	226	—	9	205,523
TOTAL	**54,561**	**17,971**	**11,129**	**15,518**	**7,558**	**2,385**	**1,084,027**

Reprinted from *Pensions & Investment Age*, Aug. 22, 1988

IRS grants reprieve

Time for integration revisions extended

By Jerry Geisel

Crain News Service

WASHINGTON — Employers will be given more time to amend their pension plans to comply with the Internal Revenue Service's massive pension integration rules.

As expected, the IRS came through with its relief in the face of protests from employers and benefits consultants (*Pensions & Investment Age*, Dec. 12).

An employer may wait until the end of 1989 to make the changes needed to bring its pension plan in compliance with the IRS' integration rules if the company adopts one of several stopgap plan amendments proposed by the IRS in mid-December.

The integration rules, which implement provisions of the Tax Reform Act of 1986, will force tens of thousands of employers nationwide to scrap decades-old pension integration formulas — which are used to calculate how companies may coordinate or integrate their pension plans with Social Security — and adopt new formulas to calculate retirement benefits earned after Jan. 1.

Under one of the stopgap amendments, an employer could wait until as late as Dec. 31, 1989, to make permanent plan design changes.

Those changes could then be made retroactive for benefits accrued from Jan. 1.

Even if the new, permanent integration formula produced smaller benefits than the formula now used by the plan, the employer would not be deemed to have violated a federal law that bars cutbacks in accrued pension benefits.

In addition, an employer could adopt the stopgap amendment without having to provide the 15-day advance notice to pension plan participants that usually is required when the employer seeks to reduce future benefits, the IRS said in Notice 88-131, released two weeks ago.

Other options offered by the IRS include allowing employers to freeze benefit accruals for all plan participants or allow non-highly compensated employees to accrue benefits during 1989 under its old integration formula or under the formula it later adopts, whichever produces the larger benefit.

Benefit experts are welcoming — up to a point — the relief offered by the IRS.

"This notice provides genuine relief," said Larry Sher, a partner with benefit consultant Kwasha Lipton in Fort Lee, N.J.

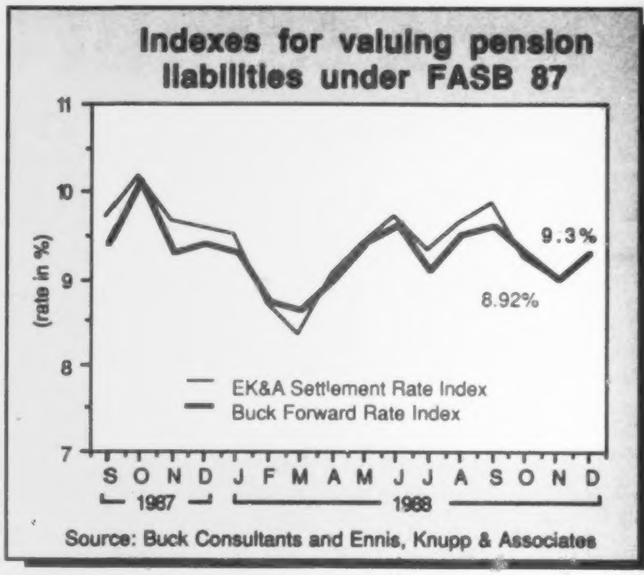
"It gives companies more time so they can redesign their pension plans carefully and intelligently," he added.

"The IRS notice gives employers the flexibility that they were looking for," said John Feldtmose, president of benefit consultant A. Foster Higgins & Co. Inc. in New York.

While the IRS action won praise from benefit experts last week, they add that any relief employers receive may prove to be fleeting if the IRS fails to publish additional, reasonable regulations that companies say they need to redesign their pension plans.

"Yes, this is temporary good news. But the IRS still has a lot of work to do," said Dick Raskin, a consultant with The Wyatt Co. in New York.

"The sharks will be back circling unless the IRS acts soon." ■


Indexes for valuing pension liabilities under FASB 87

Source: Buck Consultants and Ennis, Knupp & Associates

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Oil, gas heating

Continued from page 1

ments in an effort to reach a target asset allocation of about 2%, he said.

"We are in primarily for diversification purposes," said Mr. Smith. "If you look at the long term, the United States is going to have problems getting enough oil. It's not like buying stock. You can't . . . pick up the phone and buy some. Now is a good time, in our view, to invest."

The positive long-term outlook for natural gas prices and the fact Torch invested its own money in the deal were contributing factors to the GE fund's decision, he noted.

According to W.R. Pickering, executive vice president of Torch, the firm provided about 25% of the assets in each of the previous deals, approximately the same level as GE.

"We know some of the Torch people and their track record is good. Where they are investing with you, you feel a lot better about getting involved with them," Mr. Smith added.

He said the objective of oil and gas investments at GE "is to get a return competitive with long-term Treasury instruments."

Torch's willingness to put its money where its mouth is also impressed a large Midwestern foundation, whose spokesman asked it not be identified. "We liked the major commitment an organization makes of its own money," said the spokesman.

"I think that they (Torch) are good operators and choose their product well. Philosophically, our foundation investment committee, in the interest of further diversification, felt we ought to have investments in areas such as natural resources." The foundation invested $3 million in the latest Torch program, its first oil and gas investment. "We don't have a crystal ball, but we know what happened to energy prices in the early 1980s and here we are trying to buy natural resources at today's lower prices," the spokesman said.

The foundation is anticipating returns, he said, "of something better than a good bond proxy." As in Torch's previous efforts, the newest program is oriented toward natural gas production, which is seen as more economically favorable to investors in coming years.

"Our emphasis is on natural gas; we are not doing exploration drilling. We've already seen a 15% to 20% increase (in gas prices) over this time last year to about $1.85 per thousand cubic feet. By the end of February we could see $2.30," said Mr. Harper.

He said the Torch program will concentrate its efforts in the Gulf Coast and mid-continent regions of the United States.

Torch now operates 650 wells with interests in a total of 2,700 wells.

"The interest (in oil and gas) has begun to pick up since a year ago," said Mr. Harper. "After the stock market crash, many institutions began to reallocate their portfolios. I've found pension funds (previously) when oil and gas is mentioned wouldn't talk to you and are now at least willing to sit down and listen. We are now starting to get inquiries by the consulting community on behalf of clients interested in oil and gas. We're seeing now much more interest and open-mindedness on behalf of clients interested in making direct oil and gas investments," he said.

Mr. Harper said the deals have a 1% organization fee to Torch to cover formation of the partnership, a 1.5% fee based on invested capital in the first two years of the program, 1% in the third year and then declining 20% each subsequent year of the program. ■

A rosy outlook

Continued from page 3

many things can be done, but there is a political problem, he said. Also, the dollar probably has to be pushed down and that will boost inflation.

Lawrence A. Kudlow, chief economist and senior managing director at Bear Stearns & Co., New York, who predicted a 3.6% first-half GNP growth rate and a 1.9% second-half growth rate, said: "We called this our soft landing scenario."

The economy has a strong capital goods export sector, and that is expected to continue into early 1990, Mr. Kudlow said.

The GNP forecast is influenced by the end of the drought effect, which the Department of Commerce has hinted will be added into first-quarter numbers, Mr. Kudlow said. He estimates the end of the drought to account for 1.5% of GNP.

His first-quarter estimate is 4.6% for GNP growth, while the underlying figure really is about 3%.

"Beyond the first quarter, we do see a pronounced slowdown," he said, predicting GNP growth of 1.8%, 2% and 1.8% for the second, third and fourth quarters respectively.

"I think interest rates will go up more in the first quarter," he said. "The Fed funds rate might go as high as 9.5% (from less than 9% now). The discount rate will go to 7.5% to 8%. I don't see a credit crunch.

"The risk is that the Treasury might try to further depreciate the dollar in order to stimulate exports." That could lead to higher interest rates, higher inflation and more Fed tightening and ultimately a recession, he said.

Mr. Kudlow, formerly chief economist at the federal Office of Management and Budget in the Reagan administration, also thinks the Bush administration will place more budget deficit control in 1990 and '91. The bulk will be on the spending side, although some might come from "sin" taxes.

Robert Chandross, chief economist at Lloyds Bank in North America PLC, New York, sees further improvement in the trade balance. At least in the first half, there should be continued healthy growth in consumer spending, at 2.5%, while capital spending growth will be around 5% to 5.5% for the year.

His forecast essentially includes some problems in the foreign exchange market as it reacts to inaction on the federal budget and persistently high trade deficit.

He also doesn't expect the Bush administration to improve the federal budget situation until next summer.

Mr. Chandross sees bond rates moving higher, at least in the first half. To get the bond rates on a declining trend, there would need to be a substantial increase in rates in the first half, he said.

Equity markets thus will see higher yields on competing instruments.

No easy solution exists for the federal budget deficit. "The risk is that the dollar will be vulnerable," he said. It could drop to the 112 to 115 range against the yen, making markets skittish.

Mr. Levine said his projection of 6.4% first-half GNP growth includes 1.4 percentage points because of the end of the drought.

Henry Gailliott, president of Federated Investment Counseling Inc. and chief economist of Federated Research Corp., Pittsburgh, is one economist who believes a recession will begin in 1989.

"The recession will be centered in the consumer area because it is the one sector that is overdone," he said. "You have a consumer who should have died about a year or so ago, and you have everyone else who looks about middle age. Investment, inventories, capital spending, exports, government at all levels, are not really extended."

Mr. Gailliott noted the consumer would not have to stop spending to cause a recession. "For example, if he chooses to spend 97% of his income instead of 103%, we have an instant recession."

Georges Rocourt, economist at Ganz Capital Management, North Miami Beach, Fla., said the greatest danger to the economy is too serious a dose of fiscal responsibility. "I can't bring myself to believe that the deficit is that massive a problem," he said, especially when as a percentage of GNP it is not out of line with the deficits of other countries.

Mickey Levy, senior vice president at Fidelity Bank, Philadelphia, believes the greatest danger to the economy is a possibility the Federal Reserve Board would overestimate the strength of the economy and tighten too much, leading to a crash.

According to Claremont Economics' Ms. Allen, the two biggest dangers are a saving rate that is too low and too great a belief that reducing the federal deficit is going to cure all the problems. ■

Voting

Continued from page 1

"Several of our clients have called and asked what they can do. We said we would talk to Shearson. I asked them to amend the proposal to preserve the voting rights," Mr. Monks said.

One idea under discussion is creating a voting trust that would be assigned all the voting rights. An independent trustee would be appointed to poll unitholders and cast the ballots according to their wishes.

Another idea is monetary compensation for the voting rights, although Mr. Monks said it is a very tough concept to develop.

Earlier this month, Shearson Lehman Hutton developed a plan under which four companies — American Express Co., Pfizer Inc., The Dow Chemical Co., and Sara Lee Corp. — would offer shareholders three new component securities in exchange for common stock.

Institutional investors were not very receptive to the idea and cited lack of voting rights as the major obstacle (*Pensions & Investment Age*, Dec. 12).

Because institutional stakes in corporate America are so large, Shearson Lehman Hutton will have to persuade these major buyers the new securities are attractive.

Shearson Lehman Hutton's Mr. Gallatin acknowledged talking with Mr. Monks about the voting trust and several other ideas. He pointed out, however, the three securities are mainly debt, and debt securities do not have a vote. It is inappropriate for a debtholder to have a vote, he added.

Mr. Gallatin stressed that while he respects the concerns institutional investors have about voting rights, "the exchange offer should be viewed as a repurchase. After these shares are repurchased, residual outside shareholders will still be in total control of the company."

He added issuers of the unbundled units will be limited to companies where control is not an issue.

Some advisers to institutional investors and investors themselves questioned whether these hybrid securities would be appropriate investments for funds under the Employee Retirement Income Security Act. These concerns are expected to be raised with the Department of Labor, which regulates ERISA funds, and the Securities and Exchange Commission, which is reviewing the Shearson Lehman Hutton plan.

The idea of compensation for the loss of voting rights and the possible birth of a voting rights market are re-emerging after years on the back burner.

At a recent proxy voting conference in New York hosted by the Institute for International Research, the idea of renting or selling voting rights was revived by John R. LeClaire, an attorney with Goodwin, Procter & Hoar, Boston.

While no market for voting rights has emerged, the idea has been around for several years, promoted by money managers like Dean LeBaron, trustee of Batterymarch Financial Management, Boston, (*P&I Age*, Feb. 18, 1985).

Proponents say the creation of a market for voting rights would unlock the voting power inherent in equity securities, reduce conflicts of interests faced by pension managers and increase shareholder wealth by permitting fluid transfers of corporate power. Opponents argue detached voting rights would create economic inefficiency, lead to harmful self-dealing and contravene established democratic principles. ■

Bank to sell bonds at loss

MINNEAPOLIS — First Bank Systems Inc. will sell $4.6 billion in book value Treasury and government agency securities during the next three months but expects it to have no impact on prices in the market, according to its chairman.

The bank holding company expects to lose about $500 million in the sale.

With the sale, First Bank will also end an expensive hedge, begun in late 1987 and designed to prevent further losses to the portfolio. The hedge has cost more than $20 million to maintain in past year.

"We have a team of people inside the company who are handling" the sale, said DeWalt H. "Pete" Ankeny Jr., First Bank's chairman, president and chief executive officer.

Mr. Ankeny said First Bank turned down a number of investment banking companies seeking to manage the sale. He declined to name them. He said the bank had some preliminary advice before the decision to sell. "But we aren't really seeking consultative advice," he added.

The securities are the company's own assets and don't involve trust assets managed by First Asset Management, First Bank's money management unit.

"We plan to have them (the bonds) sold by the end of the first quarter," he said.

He expects the $4.6 billion in securities, which have an average maturity of 11 years, to realize about $4.1 billion — a $500 million loss. He said First Bank will use the proceeds to repay the short-term loans used to fund the highly leveraged portfolio. "So we will shrink the balance sheet by that amount or a little more," he added, reducing total assets to $23 billion.

"It was the maturity, not the size of the portfolio, that was the issue" or reason for the losses, said Donald K. Crowley, analyst with Keefe Bruyette & Woods Inc., San Francisco.

Claire M. Percarpio, financial analyst with Duff & Phelps Inc., Chicago, knew of no other bank with similar troubles. Although some have relatively large portfolios, she said none has taken such an aggressive investing strategy.

Mr. Ankeny doubted the sale would have an impact on reducing prices further. "A significant portion (well over 50%) are hedged so they aren't subject to price volatility," he added.

The hedge notwithstanding, analysts and institutional investors said the sale should not affect the market.

"They're selling (largely) long-term Treasury bonds," said George Reagan, equity portfolio manager for the Texas Teacher Retirement System, Austin, which held 1.1 million shares of First Bank stock as of Sept. 30.

"That's usually a fluid market. I don't see where that would have much affect on the market."

The sale will reduce by nearly two-thirds the bank holding company's fixed-income portfolio, currently having a book value of $7.5 billion. It also will formally end its aggressive speculation in the securities market.

The bank will retain a portfolio of $2.9 billion, more than 25% of that in tax-exempt securities. The remaining securities are about $80 million below book value.

"To our knowledge we're the only ones (among large banking companies) with a portfolio of this relative size and with this devaluation problem," said Mr Ankeny.

"Percentagewise, I think it was the largest in the top 50 banks in the country" at about 28%, he said. After the sale, it will total about 12%, he added.

The bank's portfolio has been under water, or below book value, since 1987. In early October of that year, just before the stock market fell, Mr. Ankeny said First Bank decided to hedge the portfolio to prevent further losses because it appeared interest rates would continue to rise. At the end of September 1987 the portfolio was $640 million under book value, he added.

Since then a large portion of the portfolio — Mr. Ankeny would say only it was more than 50% — has been hedged.

Mr. Ankeny said the bank didn't sell off the portfolio in October 1987 once it decided to end its aggressive investment strategy because it hoped interest rates would decline. "We felt there was a reasonable probability that by managing the portfolio and gradually lifting the hedging . . . we could get the devaluation down (or eliminated) without taking a big loss," he said.

The hedge succeeded in preventing further losses since then, he said, although it also kept the portfolio from taking advantage of the appreciation in bond prices following the drop in interest rates after the stock market crash.

In addition, he said the hedge was costly, reducing the effective book yield on the portfolio to 6.9% from 7.4%.

He said the anticipated economic costs, risk and other implications associated with the portfolio hedging could not be justified to continue the hedge.

Despite the loss, Mr. Ankeny said, "I think when ranked over a period of time, the portfolio has added value to FBS shareholders."

"We took $500 million in gains out of the portfolio in the third quarter of 1986," he added.

Dennis E. Evans, who resigned earlier this fall as First Bank's president and chief operating officer, had managed the portfolio. ■

Index funds

Continued from page 1

index fund manager, Wells Fargo gained more than $7 billion in total indexed assets, most of it in domestic fixed income. The firm has $54.7 billion in indexed funds.

Bankers Trust Co. — Investment Management Group, New York, reported the next highest gain — more than $6 billion since April 30, primarily in domestic equity. The firm has total indexed assets of $27.4 billion.

The lower cost of indexing is influencing the move toward international funds, according to managers. As more funds move into international in general, indexing can minimize high trading costs much as it cuts costs in domestic investments.

"Arguments for a passive approach are stronger in international because of lower trading costs," said David Umstead, managing director of Boston International Advisors Inc., Boston.

The lower costs of international indexing also may be a reason more public funds are investing overseas, Mr. Umstead said. Of the $221.5 million in international indexed assets managed by Boston International, $175 million came from public funds in the past 12 months, he said.

Boston International also customizes an index that doesn't weight Japan as heavily as the Morgan Stanley Capital International Europe Australia Far East Index, which is weighting Japan at 60%, Mr. Umstead said. The customized fund has two pension clients with $40 million invested with "six or seven others" interested, he said.

While international index funds apparently are basking in their growth, domestic stock and fixed-income funds continue a no-growth trend that some say began with the market crash.

Growth will result from new products, such as enhanced or structured indexing, which customizes benchmarks and indexes, particularly in fixed income, said Prewitt Lane, executive vice president of Todd Investment Advisors, Louisville, Ky., which managed $223 million in domestic fixed-income indexed assets as of Nov. 30.

Domestic fixed income has slowed as the stock side has picked up, Mr. Lane said, "but we still see a lot of interest in indexing among the larger plans."

International index funds also have their problems. "Because of the difficulty international managers have had in beating the heavy Japanese weighting in the EAFE, they've tried to create new indexes," he said.

The slowed growth for domestic index funds also might be attributed to the increasing popularity of tactical asset allocation, which probably has taken some funds out of indexing and into the hands of the allocators and market timers, Mr. Umstead said.

Top index fund managers

($ millions - as of Nov. 30)

Firm	Total indexed	Domestic equity	Domestic fixed	International
Wells Fargo Investment	54,700	37,300	15,600	1,800*
Bankers Trust	27,421	24,300	2,400	721
Mellon Capital	20,810	18,000	2,500	310
State Street Bank	17,930	11,000	1,930	5,000
American Nat'l Bank/Chicago	10,250	9,000	1,000	250
Alliance Capital	6,000	5,164	236	600
Boston Co.	5,890	3,900	1,800	190
Mellon Bond[1]	5,800	0	5,800	0
Dimensional Fund Advisors	5,020	3,500	1,000	520
GE Investments	3,800	3,800	0	0
Manufacturers Nat'l/Detroit	3,523	3,500	23	0
Wilshire Asset	3,160	3,160	0	0
Chase Investors	2,740	1,400	500	840
Lincoln Capital[2]	2,613	0	2,613	0
Lehman Management	2,600	0	2,600	0
T. Rowe Price	2,225	225	2,000	0
Putnam	2,150	0	2,150	0
Prudential Asset	1,860	681	925	254
Sears Investment	1,561	1,382	0	179
Chancellor Capital	1,046	970	76	0
Northern Trust	1,032	928	54	50*
BEA Associates [2]	965	645	320	0
Mitchell Hutchins	925	352	573	0
Security Capital	925	0	895	30*
WR Lazard[1]	906	0	906	0
AxeCore	850	600	250	0
Vanguard	658	640	18	0
Bernstein-Macaulay	575	575	0	0
MacKay-Shields[1]	570	0	570	0
NCNB Texas	541	341	200	0
Harris Trust	465	425	40	0
ASB Capital[1]	430	430	0	0
Centerre Trust	415	415	0	0
Capstone Asset	391	391	0	0
First Wisconsin	350	250	100	0
Travelers[1]	338	232	24	82
Aetna Capital	300	300	0	0
Fiduciary Trust[1]	300	0	300	0
Associated Capital[1]	224	155	69	0
Todd Investment	223	0	223	0
Boston International	222	0	0	222
Bear Stearns	214	0	214	0
Old Kent Bank	200	200	0	0
Nat'l Bank/Detroit	164	164	0	0
Metropolitan Life	117	117	0	0
Western Asset	110	0	110	0
Advanced Investment[1]	103	0	103	0
Westridge	100	100	0	0
Chemical Investment	85	0	85	0
Keine, Wooters	17	17	0	0

[1] as of May 31 [2] as of Sept. 30 * includes fixed income

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PENSIONS & January 9, 1989
Investment Age®
The newspaper of corporate and institutional investing $8 an issue · $110 a year

Basil Schwan of the California employees' fund, left, believes LBOs are good if chosen carefully; Wm. Irwin Arbuckle of the Presbyterian Church thinks LBO fees are "a crime."

Funds unsure of LBO future

By Curtis Vosti

Pension fund executives are skeptical about the immediate future of returns for, and investment in, leveraged buy-out funds.

In a wide array of comments ranging from cautious optimism to uncertainty to downright hostility, most of 11 executives interviewed said the glory days of leveraged buy-outs are past.

"It may not have run its course yet, but its tending in that direction," said Ken Shaffer, state investment officer and portfolio manager for the $3.48 billion Alaska Retirement Systems, Juneau. The systems had been prevented until last year from investing in leveraged buy-outs, and still are studying the potential investment.

"The returns aren't as good and the environment changes," Mr. Shaffer said. "When the next recession comes, a lot of (buy-out) issues will show not to be in as good shape as they thought. And by the time the large state funds jump in in a big way, it's not as attractive as it once was."

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Managers wary at start of year

By Pete Retzbach

Caution seems to be the watchword for equity managers going into 1989.

Some balanced managers, meanwhile, have shortened maturities, citing an inverted yield curve in which they wouldn't be paid for taking risks.

Interviews by *Pensions & Investment Age* offered several reasons for the wariness: high short-term interest rates; fears of a recession; and confusing signals on the state of the economy.

Few managers interviewed were truly bullish going into 1989, and several saw potential danger signs in the economy.

J. Parker Hall III, president and chief investment officer of Lincoln Capital Management, Chicago, is one of those. "With quality bonds yielding 9% to 10%, that return to us seems attractive in relation to what we see as the long-term return in stocks," Mr. Hall said.

He said Lincoln — which manages about $10 billion in assets, virtually all of it tax exempt — sees equities returning about 10% for 1989. "When there is apparently very little risk premium in stocks over bonds, we say 'why not be a little more cautious?' "

Lincoln's balanced portfolios currently put equities at 50%, with bonds running at 45% and cash at 5%. Aside from having to rebalance the portfolios after the 1987 market crash, Lincoln has maintained the current mix since September 1987. The previous mix, established at the end of 1986, was 60% stocks and 40% bonds.

One firm hot on cash is Lowe, Brockenbrough, Tierney & Tattersall, Richmond, Va. "We think cash is a good substitute for stocks," said Charles C. Field, vice president and director of marketing for the firm, which manages $2.1 billion in tax-exempt assets.

In its discretionary balanced accounts, the firm has a mix of 40% equities, 45% bonds and 15% cash, Mr. Field said, noting the cash component is a little higher than normal. The firm began raising bonds and cash in November.

Lowe, Brockenbrough lowered the boom on equities for several reasons. "We think the equity market has a downside potential of 10% to 15% because of interest rates," Mr. Field said. Other problems, he noted, include slow economic growth and a modest increase in inflation. The firm's executives also believe there is little room for expansion of price-earnings multiples, and think corporate earnings will rise only moderately compared with 1988, Mr. Field said.

Deborah Foord, vice president of Berg Capital Corp., New York, sees the inverted yield curve and what she termed the "highly leveraged" position of corporate America as reasons for caution.

Because of the inverted yield curve, where short-term interest rates are higher than long-term rates, and the danger of a recession that often follows an inversion, "we are not inclined to take an extreme stance" on equities, Ms. Foord said.

As for the increasing debt levels in the United States, Ms. Foord said Berg is concerned about "the transition to a slower economy in a highly leveraged environ-

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Riding the M&A wave

Global deal-making the hallmark of '88

By Marcia Parker and Marlene Givant Star

A relentless wave of mergers and acquisitions during the past 12 months reshaped businesses and industries around the world and kept bankers immersed in deal-making activity, helping make 1988 a remarkable year.

Reviews of 15 of the most innovative global deals of 1988 begin on page 24 of this issue of *Pensions & Investment Age*. They comprise the first of a three-part series on The Best Deals of the Year.

Innovation was used as the criterion for this year's best deals. Assembled is a truly global mix — including the $80 million acquisition by Finland's Huhtamaki Oy of Australia and New Zealand-based Lilypak Ltd. — and reflecting the increase in cross-border transactions. These deals cover a wide range of industries and businesses and illustrate the creativity and prowess of an ever-growing cast of deal-makers.

These very competitive financial service industry players include Wall Street investment and commercial bankers, aggressive newcomer boutique firms, foreign merchant banks, insurance companies, the credit affiliates of major companies and pension funds that do deals themselves.

In 1988, the total value of

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The sale of Beatrice International's Latin American food operations — owned by the TLC Group L.P. and handled by Bear, Stearns & Co. — was indicative of the global mergers and acquisitions trend.

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LATE NEWS

SEC asked to delay use of units

NEW YORK — A consulting firm representing institutional investors opposed to the New York Stock Exchange's proposal to allow new non-voting securities to be listed have asked Securities and Exchange Commission Chairman David S. Ruder to reject the plan or extend the comment period prior to the agency's approval.

In a letter to Mr. Ruder, Robert Monks, president of Institutional Shareholder Services Inc., Washington, said the proposal "can lead to widespread disenfranchisement because it can be adopted by large numbers of companies."

The NYSE proposes to list the unbundled stock units recently created by Shearson Lehman Hutton Inc. for American Express Co., The Dow Chemical Co., Pfizer Inc. and Sara Lee Corp. The draft prospectuses are being reviewed by the SEC.

Mr. Monks, in his letter, said the proposal raises "serious questions about the scope" of the one-share, one-vote rule. He also laid out a long list of reasons the proposed securities should be rejected. "The proposed exchange of units for common stock has exactly the coercive effects that led the SEC to adopt the 'one-share, one vote' rule," he argued.

Lynch Asset looking to expand

STAMFORD, Conn. — Lynch Asset Management Co. is enlarging its staff and is "pretty close" to making its first acquisition of a financial services company, according to Sandra Manzke, president and chief executive officer of Lynch.

Lynch, a holding company, also has hired Mary Ann Johnson, former principal of Berg Fiduciary Consultants Inc., Port Chester, N.Y., as president of its consulting subsidiary, Tremont Partners Inc., Stamford. Ms. Manzke, former Tremont president, now becomes chairman of Tremont. Tremont intends to launch more investment products, Ms. Manzke said.

The two women were principals for several years at Rogers, Casey & Barksdale, Stamford. Ms. Manzke left in 1985 to form Tremont, and Ms. Johnson left a year ago to join Berg.

Lynch plans to acquire financial services companies, including investment management firms, in much the same style as United Asset Management Inc., Ms. Manzke said, but the firms acquired will be not be competitors with each other.

Lynch, which acquired Tremont a year ago, also owns Greylyn Financial Corp., Stamford, a marketing firm.

Eberle brothers sing a new tune

CHICAGO — John M. Eberle has left the Chicago office of Jefferies & Co. Inc., where he had been senior vice president and head of its group handling stock repurchasing and corporate investing, to join Chicago Corp. as a senior vice president and manager of institutional equity trading.

In addition, Joseph Eberle, who was a salesman in the same unit at Jefferies, will join Chicago Corp. as a vice president in institutional equity sales, again reporting to his brother. Both are new positions at Chicago Corp. John Eberle will report to Jonathan S. Raclin, senior vice president and manager of institutional equity services.

Frank E. Baxter, Jefferies' president and chief executive officer, said the Eberles left voluntarily. "They're fine individuals," he said. He said their duties would be spread among existing staff at Jefferies.

Volley fired in poison pill debate

NEW YORK — Another skirmish has broken out in the long simmering war between The Analysis Group Inc., Boston, a staunch opponent of poison pills, and Georgeson & Co., New York, an avid supporter of the takeover defense.

The Analysis Group's new critique of Georgeson's latest poison pill study claims it is flawed because the firm uses a fixed period for measuring stock price performance, regardless of when each firm adopted its pill during the measurement period.

Georgeson recently completed its second poison pill study that rebuts critics' arguments that pills have prevented takeovers and otherwise have diminished the value of a company.

The Analysis Group says it broke out stock price performance before and after the adoption of poison pill plans and found that prior to adopting such plans, companies significantly outperform their non-pill peers; after poison pills are adopted corporate performance slips.

N.Y. Teachers fund picks Morley

NEW YORK — The New York City Teachers' Variable Fund B, a $1 billion guaranteed investment contract fund, hired Morley Capital Management, Lake Oswego, Ore., to manage a $40 million discretionary GIC portfolio.

Rogers, Casey & Barksdale, Stamford, Conn., served as consultant in the search.

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Vol. 17, No. 1 — Pensions & Investment Age (ISSN 0273-5466) is published biweekly with a special edition in May, at 740 Rush St., Chicago, Ill. 60611. Second class postage paid at Chicago, Ill. and at additional mailing offices. Postmaster: Send address changes to Pensions & Investment Age, Circulation Dept. 965 E. Jefferson, Detroit, Mich. 48207. Copyright 1989.

Banks sidestepped for custodial duties

By Trudy Ring

A few highly sophisticated institutional investors are bypassing banks as custodians for their assets and going directly to securities depositories, saving money and increasing efficiency in the process.

Depositories' clients typically have been banks and broker-dealers, with the depositories holding securities for accounts managed or held in custody by these entities. That's because most investors don't have the internal expertise to take over the functions typically performed by a custodian or master trust bank.

Depositories provide basic securities clearance and custody services. Most institutional investors rely on master trustee and custodian banks to provide other services, including reconciliation (making sure the investor has the securities it is supposed to have); performance measurement of investment managers; and short-term cash management.

Also, some institutions would need to take on additional personnel or computer capability to handle communications with a depository normally done by the banks that, in turn, communicate with the client.

The $900 million Northwestern University endowment fund, Evanston, Ill., is one investor that deals directly with a depository. Northwestern has used the Midwest Securities Trust Co., Chicago, for several years, said John Borsch, associate vice president-investments. Certain assets (such as venture capital holdings and private placements) that can't be held by the depository are with NBD Trust Co. of Illinois, Evanston, which formerly had custody of the whole fund.

"We thought it would be more efficient in terms of time and money" to go with the depository, Mr. Borsch said. He declined to specify the saving. He added the arrangement eliminates an intermediate step in securities transactions.

Although NBD Trust lost a chunk of business because of Northwestern's arrangement, its president, Chuck Bornarth, said he understood the logic of it. "I thought it made sense for them," he said, noting the expertise of the university's investment staff. "Did I have an objection as a banker? No."

Harvard Management Co., Bos-

Continued on page 30

Merrill Lynch on top

Salomon unseated as No. 1 underwriter

By Marlene Givant Star

NEW YORK — Merrill Lynch Capital Markets soared to stardom in 1988, becoming the top underwriter in the public domestic and global markets.

According to statistics compiled by IDD Information Services Inc., New York, Merrill Lynch rose over Salomon Brothers Inc., which had held the No. 1 domestic position for five years, and past First Boston Corp.'s Credit Suisse First Boston arm, 1987's top global underwriter.

Volume for many equity sectors declined in 1988. But debt sectors — buoyed by restructuring activities — helped boost overall volume of both debt and equity over the previous year.

Globally, volume rose 5% to $483.772 billion from $460.739 billion in 1987. Domestic volume eked up to $273.347 billion from $272.381 billion. Excluding mortgage-related and agency issues, the volume of domestic corporate underwritings declined about 10.7% to $159.968 billion from $179.134 billion.

Mortgage-related debt volume surged almost 18.5% to $96.654 billion from $81.586 billion in 1987.

Standings of top industry players were reshuffled in 1988. 1987's top two underwriters — Salomon Brothers and First Boston — swapped places with the year's third- and fourth-ranked firms — Merrill Lynch and Goldman, Sachs & Co., ranking first and second, respectively, in 1988.

Salomon suffered a considerable shortfall in volume because it left the municipal bond business in 1987, while Merrill Lynch enjoyed $12.8 billion in municipal debt underwritings, said John Keefe, vice president and research analyst for the financial services industry at Drexel Burnham Lambert Inc. Salomon's concurrent exit from the commercial paper business had a minimal effect on the firm, he added.

Merrill Lynch's super debt performance stemmed from its "strong origination and execution capabilities and the best sales and trading capabilities on the Street," said Grant Kvalheim, director of the firm and head of the capital markets desk. In addition, swaps, derivative products, secondary and corporate trading and syndicate and capital markets origination functions all are overseen by the same individual, Mr. Kvalheim said.

Goldman, Sachs also forged ahead from last year's No. 5 spot to take top honors in domestic debt underwriting with $34.03 billion in volume, representing

Continued on page 31

Asset shift for health plans eyed

By Fred Williams

William Quinn of AMR Investment, left, and Tom Tull of LTV, right, both said their companies are considering using surplus pension assets to help fund retiree health liabilities; Roger Wohlert of Southwestern Bell said such a move might hurt pension funds.

Using surplus pension assets to fund the mounting unfunded liabilities associated with retiree medical benefits has strong support from pension fund executives.

With estimates of the total unfunded liability for retiree medical benefits as high as $2 trillion, corporations are faced with the problem of how to fund these costs on an ongoing basis. The Financial Accounting Standards Board is expected to issue in February its long-awaited exposure draft requiring companies to shift to accrual accounting — with its potentially disastrous effects on balance sheets — from the pay-as-you-go system, while the government refuses to grant tax preference to pre-funding retiree medical care.

Corporate pension officials believe using a portion of surplus pension assets remains one of the best way to pre-fund retiree medical costs. And they more optimistic than ever that Congress will pass a bill to allow pre-funding through the use of surplus pension assets.

A 1988 study of large corporate pension plans by the consulting firm Greenwich Associates showed 70% of pension executives favor legislation that would allow them to fund retiree medical benefits from excess pension assets. The same study reported 90% of companies have not yet calculated the present value of their retiree medical liabilities.

Corporate executives contacted by *Pensions & Investment Age* agreed using surplus pension assets might provide an expedient solution to the unfunded liabilities for retiree health care, but many expressed concern that a long-term solution should involve a complete look at health-care programs.

"We're all concerned about the potential liabilities, and we've also got the FASB rules to consider," said William F. Quinn, president of AMR Investment Services, Fort Worth. Mr. Quinn said the unfunded liability for re-

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Manager stocks beat S&P

Public firms shake off effects of crash

By Carol Wiley

Recovery from the 1987 market crash has been on track for publicly held investment management firms.

Comparisons made by *Pensions & Investment Age* of stock prices for the publicly held money managers show stock prices increased 13.2% overall in the 12 months ended Dec. 27. The average price increase of stocks represented in the Standard & Poor's 500 Stock Index was 12%.

Stock prices for the publicly held management firms increased an average of $1.71 per share during the year ended Dec. 27.

The gainers did well. Of the 21 publicly held money management companies, 14 gained an average of $2.21 per share, or 30.9% overall; the seven that declined lost an average of $3.49 per share, or 16% overall.

The investment management firms "didn't do as well as banks, did better than the insurance companies and lagged the diversified financial service companies," said Frederick Wightman, group vice president and analyst of the financial services industry for Duff & Phelps, Chicago.

Therefore, the money managers' overall 13.2% increase in stock price is "representative" of the financial services industry stock as a whole, Mr. Wightman said.

"It sounds just right," Mr. Wightman said. "There's nothing terribly embarrassing about matching the S&P."

Stock prices of the money-center banks increased a healthy 38%, with regionals up 26%. Diversified financial services companies increased an average of 19%, with companies such as American Express Co. up 16%. Insurance companies ranged from 1% to 18%, depending on category, Mr. Wightman said.

Mr. Wightman said he expects the financial services industry to continue with "good, predictable earnings" through 1989 as the firms go into the second year after the October 1987 market crash.

The largest stock price increase was shown by T. Rowe Price Associates, Baltimore. The firm's stock jumped $12.75 per share, or 60.7%, during the 12-month period, closing at $33.75 on Dec. 27.

The worst performer was Fiduciary Trust Co. International, New York, whose stock price went down $4.75 per share, or 15.8%, to $25.25 on Dec. 27.

-Michael Magdol, chief financial officer for Fiduciary, cited lower earnings as the reason for the stock decline. About 80% of the publicly traded stock is owned by management, he said.

Much of the lagging performance of some management firms can be tied to the mutual fund market in general, which lost 97% in net sales the first nine months of 1988, crashing to $2.1 billion from $78.6 billion for the same time period the year before, said Stephen Gaber, managing director of Mesirow Asset Management, Chicago.

Mr. Gaber predicted the firms' stock performance will hinge on attracting new clients and more assets. That will happen in 1989, he said, but at a much slower rate than in the past, thanks to the market crash.

"1988 was a difficult year for them because it has been difficult to attract new clients since the crash, particularly in active equity management," he said.

"There was a definite slowdown in the mutual fund industry, and most of (the publicly held money management firms) have mutual funds.

"The outlook is that . . . there will be lower p/e ratios because assets under management aren't growing as much anymore."

George Roche, chief financial officer of T. Rowe Price, disagreed with Mr. Gaber's assertion that the slump in the mutual fund industry kept the firms back.

"We are primarily a mutual fund company, too, and I think mutual funds still look good to us," he said.

Mr. Roche said the firm's good earnings, its good earnings outlook and its balance between the management of equity and fixed income indicate stability. "We're coming out of a period of dynamic growth and going into a more normal growth period," he said. ■

Stock prices of publicly held money management firms

Stock	Closing prices Dec. 27, 1988	Dec. 23, 1987	Change
American Capital Mgmt.	8 3/4	2 1/8	+ 6 5/8
Angeles Corp.	6	5 5/8	+ 3/8
Atalanta/Sosnoff	4 1/4	5 7/8	− 1 5/8
Robert C. Brown	5 5/8	4 1/2	+ 1 1/8
Bull & Bear Group	3 3/4	4 3/4	− 1
Colonial Group	12	11	+ 1
Criterion Group	8	7 3/4	+ 1/4
Dreyfus Corp.	25 1/4	23 7/8	+ 1 3/8
Eaton Vance	22 1/2	16 1/2	+ 6
Fiduciary Trust Int'l	25 1/4	30	− 4 3/4
First Capital Holdings	6 1/2	7 1/2	− 1
Franklin Resources	22 1/4	17 5/8	+ 4 5/8
Oppenheimer Capital	11 1/4	8 5/8	+ 2 5/8
Piedmont Mgmt.	6 7/8	7 5/8	− 3/4
Pioneer Group	18 1/4	13 3/4	+ 4 1/2
T. Rowe Price	33 3/4	21	+ 12 3/4
Reich & Tang	13 1/2	15 1/2	− 2
Thomson-McKinnon	10 1/4	9 1/2	+ 3/4
United Asset Mgmt.	13 1/2	11	+ 2 1/2
United Investors Mgmt.	11 7/8	7	+ 4 7/8
Value Line	20 5/8	25	− 4 3/8

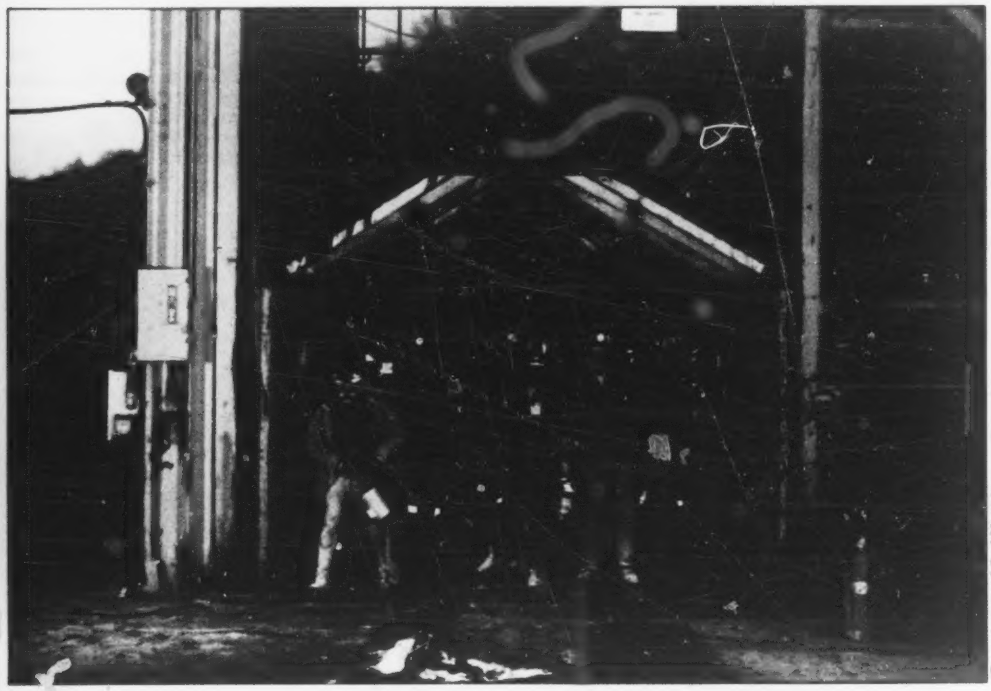

Photo courtesy of Coal Magazine

Pittston Co. management is proposing the company withdraw from the UMWA's multiemployer pension fund and establish a single-employer pension plan for its mine workers.

Withdrawal sought

Pittston proposes single-employer plan

By Trudy Ring

GREENWICH, Conn. — Pittston Co. executives want the company to withdraw from the $4.7 billion United Mine Workers of America Health and Retirement Funds and set up a single-employer pension plan for employees represented by the UMWA.

Meanwhile, the union has sued Pittston, charging it has violated federal pension law by creating nonunion subsidiaries to evade the terms of the union contract. Earlier, trustees of the pension fund had filed a lawsuit seeking contributions they claim Pittston owes the fund.

The proposal to withdraw from the multiemployer pension plan is part of what Pittston called its final offer to the union during contract negotiations in early November. The plan is jointly trusteed by the union and an employer group, the Bituminous Coal Operators of America. Pittston withdrew from the BCOA in 1987.

UMWA members at Pittston have been working without a contract since Jan. 31, 1988, and have pledged to strike Jan. 31 of this year if they still have no contract. Union officials said they offered to settle with Pittston on the same terms negotiated by the BCOA, but the company turned them down.

The union opposes Pittston's proposal to get out of the multiemployer plan. "The beauty of a multiemployer pension plan that covers a national industry is it has built-in portability," said David Blitzstein, administrator-special projects for the union. Mining is an occupation that needs such portability, he said; mines open and close, so miners aren't likely to spend their entire career with one company.

A Pittston spokesman declined comment on the

Continued on page 30

Use of property gains popularity as financial tool

By Andrew Reinbach

Bankers Trust Co.'s use of real estate-backed securities to provide $250 million in debt financing for the $1.1 billion leveraged buy-out of Stop & Shop Cos. Inc. emphasizes the arrival of real estate securitization in the mainstream of financing techniques.

The acquisition by Kohlberg Kravis Roberts & Co. and Stop & Shop management also points to the growing use of property resources to support larger corporate goals. Prudential Mortgage Capital Co., a unit of Prudential Insurance Co. of America, applied both ideas when Carter Hawley Hale secured a $347 million loan in 1987 by 27 of its stores and one distribution warehouse, and in a $400 million deal last year with Santa Fe Southern Pacific Corp., Chicago.

Bankers Trust's real estate lending unit created a $250 million senior/junior debt structure, issued as notes and supported by a AAA rated surety bond from Financial Security Assurance Co., to help KKR complete its buy-out of the Boston-based company by the end of the year.

An indication of the increased comfort level with real estate equity-backed securities among both lenders and borrowers is the acceptance in the Stop & Shop deal of a cross-collateralized debt structure. Each of the 40 supermarkets and three warehouses included in the overall collateral package stands as surety against default by any one property. Traditionally, such loans have been secured by the income stream from leases, rather than from the properties.

"Borrowers strenuously avoided (cross-collateralization) for a long time," said James D. Notewear, director of real estate advisory services for Laventhol & Horwath, Philadelphia. "A borrower wants to isolate his risk in any one project, and protect his assets. If a project goes bad, he can keep the good properties and let go of the bad."

Stop & Shop and KKR executives, "recognized that there was a certain degree of risk, but they accepted it, readily, because their concern was to have the cash to pay down the LBO debt," said Richard M. Gunthel, managing director in charge of the real estate lending unit at Bankers Trust.

But he added there are provisions in the deal that minimize the risk, including the ability — under restricted conditions — to allow the company to substitute properties.

"This is really an ongoing business," said a KKR official who asked not to be identified. "We could have fallout, but we also have a limited right of substitution, so we do have flexibility. We are not locked into this particular portfolio."

The Stop & Shop transaction has its roots in a 1988 hostile takeover attempt by Dart Group Corp., Washington, led by the Haft family. Dart had offered $37 per share, or $1.03 billion, for the company.

Stop & Shop management, however, turned to KKR, which borrowed a total of $1.425 billion to complete the acquisition of the company's 281 Stop & Shop supermarkets and Bradlees discount department stores, for $44 per share.

Stop & Shop had total sales of $4.3 billion in 1987. KKR is the

Continued on page 30

Bank spins off management group

CHICAGO — American National Bank & Trust Co. of Chicago has spun off its investment management group to position the bank to take advantage of any law changes that would allow banks to run mutual funds.

ANB Investment Management Co., the wholly owned subsidiary, is headed by Jack Tilton, formerly head of the bank's investment management group that had been set up in 1981 after a series of defections from the bank's investment division.

"This further step is nothing more than an exclamation point on that earlier move," said Mr. Tilton, who is president and chief investment officer of the subsidiary. American National manages $10.2 billion in tax-exempt indexed assets, and $1 billion each in active equity and fixed-income investments. The subsidiary received approval from the Securities and Exchange Commission shortly after Thanksgiving, and was effective Jan. 1, he said.

James Kartalia, managing director of marketing and client services, said the move is the latest the bank has taken under Mr. Tilton's direction to regain the prominence that had suffered with the lesser attractiveness of banks in the late 1970s and the departure of several key people in 1981.

In the space of two months of that year, the bank lost its group vice president of trust and investment department, Hal Arbit, who left to start his own money management firm, now Concord Capital Management, another vice president, Bob Boldt, and three top analysts; its marketing director, Ed Matz; and Rex Sinquefield, executive vice president, who left to join the then newly formed Dimensional Fund Advisors.

"In our case, we had some unique hurdles to jump," Mr. Kartalia said. "Literally, we lost our whole top echelon of people. It became almost a crisis management situation."

He said, however, the bank has overcome the general perception that "ANB was fading away," which he said might have hurt the bank when consultants did searches.

Mr. Kartalia said the bank, "while not having a high name recognition" — there are 40 American National Banks throughout the country, he said — has become very successful in lending to Chicago's small-to-medium commercial market as well as adding to tax-exempt assets under management.

Among Mr. Tilton's first directives, he said, were to forget consultants; not to focus on pension funds with more than $250 million in assets; to forgo working the West Coast because the bank was spread too thin; and to hire salespeople from outside the firm.

"We formed a team and told them to start 'dialing for dollars,' " Mr. Kartalia said.

Mr. Kartalia said evidence of the bank's turnaround is given by its climbing to the 10th largest bank in terms of tax-exempt assets under management from 17th between 1983 and 1988 in *Pensions & Investment Age's* annual survey of money managers.

"In 1983, we had five investment products we could sell. Nov we have 23," he said, adding th bank has added 150 clients in th past five years.

According to the Pensions & Investments' Performance Evaluation Report, the bank's $169 million Active Investment Fun returned 1.3% and −10.8% for respectively, the quarter and yea ended Sept. 30. The median fun returned 0.12% and −10.3%, respectively, for the periods, whil the Standard & Poor's 500 Stoc Index returned 0.3% and −12.4%.

For three and five years ende Sept. 30, the fund's compound annualized returns were, respectively 16.9% and 14.3%. The respectiv medians were 16.6% and 12.9% while the S&P returned a compoun annualized 18.3% and 14.7%.

According to Mr. Kartalia, the bank's $105 million Bond-plu active fixed-income commingle fund, which is about 2 years old has returned 17.5% for the yea ended Sept. 30. For that same period, the PIPER median return fo fixed income funds was 11.6% while the Shearson Lehman Hutton Government/Corporate Bon Index returned 12.8%.

CORRECTIONS & CLARIFICATIONS

• A story in the Dec. 12 *Pensions & Investment Age* incorrectly identified the index used b the **New York City Retiremen Systems** for bond investments Three of the five systems are restructuring their bond portfolios The portfolios have tracked th Shearson Lehman Hutton Government/Corporate Bond Index after the restructuring, they wil track this index minus issues wit maturities of five years or less.

• Third-quarter returns for th PRINT II account of **PCM International** were reported incorrectly in the Dec. 12 PIPER international fund listings. The correc figure is −0.14%.

• Indexed equity and fixed-income assets under managemen by **First Wisconsin Trust Co** were transposed in a chart in th Dec. 26 issue. Domestic indexe equity assets should have totale $100 million, and domestic indexed fixed income, $250 million.

First Chicago makes benefit plan changes

CHICAGO — First Chicag Corp. is discontinuing its profit sharing plan and replacing it wit a 401(k) plan and reducing th vesting period for its pensio plan, effective Jan. 1.

The 401(k) plan will carry a 50 employer match to employee contributions. Vesting for the pensio plan will be reduced to five fro 15 years.

First Chicago Corp., paren company of First National Ban of Chicago and First Chicago Investment Advisors, has $536 million in defined benefit assets, according to its 1987 annual repor The profit-sharing plan has $10 million in assets.

The changes were detailed in memo to employees. A bank spokesman confirmed the memo, but declined further comment.

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Quants going global

Firms banking on growth of asset pool

By Joel Chernoff

After seizing a sizable piece of the domestic investment management business, quantitatively oriented firms are starting to carve out a piece of the growing international money management business.

Beginning with international index funds a decade ago, quantitative techniques are expanding to include active-passive strategies, computer-driven value screens, currency protection and global asset allocation techniques.

While still in its infancy, consultants and other investment experts think quantitative approaches eventually may take a significant, though probably a minority, portion of assets invested overseas by U.S. pension funds. Overseas assets of U.S. pension funds are expected to triple to $150 billion by the end of 1992 from $50 billion at the end of 1987, according to projections by InterSec Research Corp., Stamford, Conn.

Defining just what qualifies as a quantitative product isn't easy; the multiplicity of products and adoption of techniques from one to another makes it hard to distinguish them clearly.

"The distinction between quantitative and indexed and passive has become more and more blurred in the past couple of years," said Janice Harding, vice president at Frank Russell Co., Tacoma, Wash.

The advantages to pension executives are numerous, managers and consultants said. The inefficiencies that exist in foreign markets leave them wide open to application of more disciplined, quantitative techniques.

In a draft report, Robert D. Arnott and E. George Matthew, president and vice president respectively of First Quadrant Corp., based in Morristown, N.J., argue "There is wide evidence that the world market as a whole is not efficient."

International manager returns

Year	MSCI EAFE*	Median InterSec non-U.S. equity universe
1980	23.4%	26.6%
1981	−1.7	−0.6
1982	−1.3	3.9
1983	24.1	26.7
1984	7.5	−2.9
1985	56.1	55.9
1986	69.5	60.0
1987	24.9	11.3
1988**	11.1	6.1

* Returns are adjusted for non-recapturable portion of withheld dividends

** First three quarters

Source: InterSec Research Corp., Stamford Conn.

Inefficiencies are caused by differences in quantity and quality of information, legal, cultural and structural factors, government subsidies and faster growth rates in emerging countries, they wrote.

What's more, they argue traditional global managers lose sight of the fact the dominant player in local markets is the domestic investor. Thus, in Japan, where more than 95% of trading is done by domestic investors, comparison of Japanese price/earnings ratios with German p/es might be irrelevant. In addition, high corporate tax rates encourage Japanese corporations to minimize their reported earnings, also leading to high p/e values.

Failure to consider these local factors has caused global investors to underweight Japan in recent years, resulting in returns that lagged their bogeys and bolstering arguments in favor of quantitative approaches.

But that lagging performance doesn't perturb some pension executives. The $9 billion Oregon Public Employes Retirement System, with $825 million invested in international equities, underperformed the EAFE Index but still returned 48%, 57% and 18% in 1985, 1986 and 1987, respectively.

"I don't know how anybody could be disappointed with numbers like that," said James George, investment manager.

The rapidly improving quality of data for international securities, however, is making it easier to use quantitatively driven approaches. "The quality of the data has improved immeasurably since the '70s, and even in the past year or two," said Gary Bergstrom, president of Acadian Asset Management Inc., Boston, an international quantitative manager with

Continued on page 22

Advisers building on U.S. services

Money managers are implementing a host of quantitatively driven strategies in the international arena.

Most of the foreign-market strategies adapt quantitative techniques that have been used domestically, including basic price-earnings screens and dividend-discount models.

One of the most interesting evolutions has been that of Batterymarch Financial Management, Boston, which started its computer-driven, contrarian approach to international equities in 1983. It now runs $1.3 billion in international equities and another $900 million in global strategies.

The approach "involves the application of quantitative disciplines to select stocks on overall cheapness without regard to industry or country selection," said Richard Gula, trustee.

At first, Batterymarch used ahistorical valuation measure to rank a universe of 800 stocks by relationship between each stock's current p/e to its 10-year p/e, price-book ratio and yield, respectively. Batterymarch also equal-weighted all portfolio holdings and used its automated trading system to lower transactions costs.

In the fourth quarter of 1986, Batterymarch altered its strategy, acknowledging the influence of the small-stock effect in Europe and Japan. Theory holds these less-studied stocks offer better, long-term rates of return.

The firm put 75% of its portfolio into small-cap stocks in Japan, the United Kingdom, Canada, West Germany and France, screening for p/e, price-book and yield on a current basis only. In Japan, it excluded stocks with market capitalization in the top 40%, while knocking out the top 20% in the other four markets.

For the remaining 25% of the portfolio, Batterymarch invested in emerging markets, looking at current vs. historic valuations, but adjusting by the historic standard deviation to limit volatility.

Now the firm is altering its strategy again, believing correlations of returns between the U.S. and foreign markets will change as international assets continue to cross borders more freely, Mr. Gula said. Thus, Batterymarch is trying to find ways to make country weights less important, while acknowledging Japan operates differently from other countries.

In addition, the firm is adapting its corporate valuation strategy, which looks at unused borrowing power and corporate cashflow, to its international model.

Another new wave of strategies involves the development of global asset allocation models.

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UPDATE

Japan recommended

NEW YORK — Despite stratospheric stock valuations, Salomon Brothers Inc. recommends increasing exposure to Japanese equities.

In its annual outlook for global financial markets, Salomon predicted the Nikkei 225 Index, hich includes Japan's biggest ocks, will reach 35,000 by the d of 1989. It now is between ,900 and 30,000.

In a global portfolio, Salomon recommends investing 48% in Japan, compared with 43.3% in the Salomon-Russell Global Indexes. Salomon also recommends placing 20% in Europe and 32% in the United States, compared with their respective weightings of 18.1% and 38.6% in the index.

Salomon projects Japan will experience real growth rate of 5% in 1989, accompanied by low inflation and interest rates.

Propelling the equity market will be very strong corporate profit growth. Results for the six-month period ended Sept. 30 reveal a 65.2% average increase from the previous year's level; the brokerage firm predicts a 25% corporate gain for the full fiscal year ended March 1989, and an additional 17% growth through March 1990.

Salomon predicts Japanese stocks will return 23% in yen terms — a whopping 36% in U.S. dollar terms.

The firm reduced its overweighting on real estate stocks, while keeping overweightings on non-manufacturing stocks, particularly in housing, construction and commerce.

Meanwhile, the firm also recommended investments in continental European equities, particularly in West Germany, Spain and Switzerland.

"Next year is unlikely to match 1988's spectacular performance, but gains will be underpinned by a combination of favorable earnings surprises, valuation and flow of funds support," according to the outlook report.

The firm predicted local currency returns on the Continent will average 10% to 15% during the next six to 12 months.

Strong flow of funds movements by industrial companies and foreign investors have buoyed European markets in 1988; Salomon expects institutional investors will return to the markets in 1989, after having rebalanced their portfolios following October 1987.

In the United Kingdom, monetary tightening that has increased interest rates to 13% from 7.5% in the past six months will reduce U.K. economic growth to about 2.5% from 4.5% in 1988, although profit margins have increased.

Salomon expects the British pound to approach $2 by mid-1989 from the $1.80 level now. Because about one-quarter of U.K. corporate profits stem from North America, "the translation effect alone could reduce earnings" by 2% to 3% in 1989, the firm said.

U.S. stocks are likely to trade in a narrow range during 1989. Re-

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Advisers build

Continued from page 21

First Quadrant Corp., Morristown, N.J., has adapted techniques used in domestic tactical asset allocation to produce a purely quantitative investment vehicle.

The firm's executives argue investors know the prospective long-term returns for various asset classes: the yield on cash equivalents and the yield to maturity on long bonds provide proxies for total rates of returns, while prospects for equities are measured by earnings yield, dividend yield or consensus-based dividend discount models.

There are normal or equilibrium levels among these assets classes, they contend. When returns stray, markets forces return them to the equilibrium, thus providing an opportunity to profit.

"Expected returns on different asset classes adjusted for the appropriate risk premia and stated in a common currency (i.e., after adjusting for exchange rate changes) should be equal. If they are not, arbitrage opportunities will cause investors to pull them back into line," wrote Robert D. Arnott and E. George Matthew, president and vice president respectively of First Quadrant in a draft report to clients.

First Quadrant also hedges currency risk except when it has reason to believe returns will be high enough to justify the risk.

Acadian Asset Management Inc., Boston, also employs a tactical asset allocation strategy, based on country selection that uses nearly 20 variables for every major world equity market.

The firm also offers a quantified active stock selection strategy, based on a multifactor approach including p/e ratios, price-book value ratios, price-sales ratios, price momentum factors, consensus earnings forecasts and dividend-discount model valuation. In its small-capitalization stock strategy, Acadian adds a small-cap tilt to the other techniques.

DSI International Management Inc., Stamford, Conn., is a newcomer to money management but its parent, Decision Services International, has provided quantitative research for financial institutions for more than 15 years. It screens a universe of 2,500 stocks for a variety of factors, such as relative dividend yield, relative earnings yield and price to book value. It also adjusts for the volatility of each of the stocks, coming up with a combined ranking. In less than a year's time, it has pulled in $100 million in assets, including an account from the $8.2 billion Lockheed Corp. pension fund, Calabasas, Calif.

Parametric Portfolio Associates Inc., Seattle, Wash., employs quantitatively derived active tilts to enhance returns.

Similarly, County NatWest Investment Management Ltd., New York, offers a variety of tilts on index funds, as well as active-passive approaches and currency protection strategies that promise to hold foreign exchange losses to a specified target level.

On the bond side, Quantitative Asset Management Group, Chicago, a 3-month-old unit of Drexel Burnham Lambert, uses an economic model that first sets a country allocation, picks cheap sectors and selects the most underpriced issues, said Fred Arditti, president of the firm and formerly chief economist of the Chicago Mercantile Exchange.

Other money management firms that use quantitative techniques overseas include Grantham, Mayo, Van Otterloo & Co. International, Boston; PCM International, Newark, N.J.; Boston International Advisors Inc., Boston; Intech/Paribas Asset Management, New York; Roll and Ross Asset Management Corp., Blue Bell, Pa.; InterQuant Capital Advisors Ltd., New York; Mercator Asset Management, Fort Lauderdale, Fla.; State Street Bank and Trust Co., Boston; Dimensional Fund Advisors Inc., Santa Monica, Calif.; Nikko Capital Management (U.S.A.), New York; Bankers Trust Co. — Investment Management Group, New York; and Wells Fargo Investment Advisors, San Francisco. ■

— *Joel Chernoff*

Irish firm plans U.S. ventures

CHICAGO — The Bank of Ireland's asset management unit expects to set up joint ventures with about six U.S.-based money managers to offer international investment management to U.S. pension funds.

According to Gerald Colleary, senior vice president of the unit, IBI International Investment Services Ltd., said agreements with several firms are near.

He declined to name them until the agreements are completed. "I expect they will all be completed by the end of the year," he said.

Mr. Colleary set up IBI International's Chicago office last summer to serve as the base for its U.S. marketing.

IBI International is a unit of Investment Bank of Ireland, which is wholly owned by Bank of Ireland, one of the two largest commercial banks in the Irish republic. All three of the companies are based in Dublin.

IBI International has $3 billion under management, all from foreign-based clients; about half of the $3 billion is from Irish-based pension funds.

Although it has no domestic U.S. clients, IBI International manages assets for Ireland-based subsidiaries of U.S. companies, including IBM Corp., C.R. Bard Inc., Squibb Corp., Baxter International Inc., Bausch & Lomb Inc., National Can Corp., Computer Products Inc., Zenith Electronics Corp. and Square D Co.

Mr. Colleary said IBI International's joint ventures will target midsize pension funds, both corporate and public, and other tax-exempt institutions, all having $50 million to $500 million in assets. He said these sponsors appreciate diversification, but have been largely neglected in marketing by international asset managers.

IBI International will invest in non-U.S. securities. He said IBI International prefers balanced accounts with full discretion to determine the asset allocation of the portfolios.

He said IBI International sought the joint ventures after deciding it would be a long, costly effort to set up its own marketing organization in the United States.

The joint ventures "save us from having to acquire marketing expertise," he said. The partners will "know their regional market and they will already have a client base."

The joint ventures offer advantages to the managers as well, he added.

"The manager can now offer global management services and not just domestic management," he said, making them more competitive in their regions.

Each of the joint ventures, along with IBI International's Chicago office itself, will market nationwide without territorial exclusions.

Mr. Colleary, now the office's only executive, expects marketing overlap to be minimal because of the vast size of the U.S. market, although any obvious duplications, such as the joint venture partners having the same clients or prospective customers, will have to be worked out beforehand.

Mr. Colleary said IBI International will not refer its Irish and other European clients to the U.S. managers for U.S. investment services, because it already manages U.S. investments for them. ■

UPDATE

Continued from page 21

turns will be limited by a flattening of the yield curve, slowing corporate profit growth with few surprises and competition from foreign markets, the report said.

The main buyers of U.S. stocks in 1988 have been corporate insiders: corporate buybacks or acquisitions of shares of other companies, leveraged buy-outs and raider activity. Salomon expects this activity to continue in 1989.

Irish fund plans hires

DUBLIN, Ireland — Ireland's Electricity Supply Board is going to outside money management for its $525 million pension fund.

The government-owned utility has been under pressure to trim its management ranks, resulting in a three-week white-collar strike in November. The impending retirement of senior pension fund officials has led the utility to seek external managers.

The fund's asset mix now is 50% in gilts or local bonds and 35% in domestic stocks, with the balance spread among property, overseas equities and cash equivalents.

The new asset mix is not expected to be significantly different, said Colin Lever, senior partner at London-based Bacon & Woodrow Investment Services Ltd., which is advising the fund on investment strategy. Mr. Lever said the fund probably will hire three managers: one each for domestic equities, domestic fixed income and overseas securities. He added, however, the fund's trustees are considering establishing a passive core portfolio.

William M. Mercer Fraser Ltd., Dublin, is conducting an actuarial study of the fund, Ireland's third largest.

Managers are expected to be hired "over the next few months," said Brendan Clear, pensions manager.

Managers set for '92

LONDON — With investors' attention focusing on the dropping of trade and other barriers in the 12-nation European Community in 1992, it's only natural money managers come up with products designed to take advantage of the changes.

Recently, two managers have rolled out small-capitalization equity funds designed to take advantage of the changes.

Chemical International Asset Management, London, is offering its "Europe 1992" fund, which invests in stocks with less than $500 million in capitalization that stand to benefit from the changes.

"One of the bigger problems we've had to overcome is that there is not nearly so much research here on small-cap stocks," said Alan Pendleton, chief investment officer for the Chemical Bank subsidiary.

The four portfolio manager/analysts who run the new fund, which has garnered about $10 million in assets, look very much at demographic trends, such as the large labor force available in southern Europe.

Chemical officials hope the fund will grow to $100 million, and to a portfolio of 200 stocks selected from a universe of 500 companies.

For now, it has 40 holdings, including **Ava**, a German discount retailer; **Hage Meyer**, a Dutch diversified trading company; **Kwik-Fit Holdings PLC**, a British auto parts retailer; and **Cristaliera Espanol**, a Spanish glass company.

Meanwhile, Review Management Corp., Fort Washington, Pa., is offering the first actively managed, open-end mutual fund investing in European small-cap stocks.

The fund will be managed by Bruno Bertocci, a portfolio manager in the London office of Rockefeller & Co., the subadviser.

"As a group, small stocks are underowned on an institutional basis" in Europe, said Richard E. Smith III, president of Review Management, which also oversees the $290 million Over-The-Counter Securities Fund.

Mr. Smith plans to target small to midsize pension funds, with up to $1 billion in assets. Charges to investors are capped at 2.25% of assets.

Firm expands service

REIGATE, England — R Watson & Sons, a leading British actuarial firm, has formed a pan-European financial consulting service, Watsons Europe.

The service will offer professional advice to insurance companies and employers on employee benefits.

"Most people only talk about the opportunities associated with 1992, but it will present real headaches for companies with workforces in different European countries," Michael Bell, a senior partner in R Watson & Sons and chairman of EURACS, explained in a news release.

Capel opens office

James Capel, the London-based global investment house, is opening a Los Angeles office of its North American subsidiary, James Capel Inc., to provide West Coast investors with investment research and brokerage services in international securities.

Quants eye global arena

Continued from page 21

$170 million in assets.

Dramatically reduced trading costs are making active management strategies more feasible as well, Mr. Bergstrom said. Trading costs have dropped to less than 50 basis points from two to six times that amount 10 years ago, he said.

Also important to pension executives is the ability to retain control over the investment strategy and risk parameters of their funds.

Some observers, however, question how much risk can be controlled on the international side, given the volatility of currencies and other factors.

Numerous pension executives are constructing international in-

tic investment strategy of a core manager with satellite managers as a way of providing further diversification and lower risk. The $1.6 billion Philadelphia Municipal Pension Fund hired a core index manager, two active managers and a small-capitalization manager to run 9% of its assets in international portfolios (*Pensions & Investment Age*, Nov. 28).

Quantitative investment management styles may have their drawbacks too.

Nicholas Carnes, senior portfolio manager at CIGNA International Investment Advisors Ltd., London, said, "Quantitative techniques were developed to deal with the natural sciences where reasonably stable relationships

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Volume

ontinued from page 2

.4% of the market. Salomon rothers (1987's top debt unerwriter), Merrill Lynch, First oston and Morgan Stanley & o., ranked second through fifth.

Prudential-Bache Capital unding made significant adances in initial public offerings, on-investment grade debt and ommon stock from very small olumes the previous year. This elped the firm jump to eighth ace from 10th in the domestic ebt and equity rankings.

James F. Crowley, co-head of vestment banking of Prudenal-Bache Capital Funding, said st year's growth was propelled y a build-up in high-yield capalities and a strong retail netork that capitalized on the rowth in closed-end funds.

Underwriting volumes in most ectors declined in 1988. Non-inestment-grade debt totaled 27.813 billion, down from 29.026 billion the previous year. itial public offerings volume ipped to $23.328 billion from 24.188 billion, and common tock underwritings volume ummeted to $29.6 billion from 41.674 billion.

Wall Street's top five firms held combined domestic market hare of 60.8% in 1988 compared ith 63.4% in 1987. Worldwide, he top five — all U.S. firms — eld 41.3% of the market share ompared to 45.6% in 1987.

Goldman, Sachs charged to first lace in mortgage-related issues, oubling its volume to $16.887 illion from $8.409 billion in 987. Salomon Brothers, First oston and Merrill Lynch each oved down a notch, taking secnd, third and fourth place.

Drexel's volume once again warfed all the rest in the area it ngendered — non-investment-rade issues — accounting for 11.907 billion, a slight increase om 1987's $11.623 billion.

First Boston and Morgan Staney switched place in 1988; First oston ranked second with $3.908 illion and Morgan Stanley slipped o third with $3.133 billion.

Firms with strong retail operaons dominated the equity ranks — a boon to Merrill Lynch. "Closed-end products cooked up a ay to sustain the volume of muual funds" in a year when retail vestors avoided conventional pen-end mutual funds, Mr. eefe, the Drexel analyst, said.

Prudential-Bache shot up to th place with $1.182 billion m 15th place in 1987 when it d only $48.8 million. Goldman, chs, skidded to seventh place om fifth place as its volume ore than halved to $805.2 milon from $1.975 billion in 1987.

Merrill Lynch remained No. 1 in itial public offering volume, with stellar 71% increase to $4.348 illion from $2.54 billion in 1987.

Shearson Lehman Hutton Inc. umped to second from fifth place, oubling its volume to $4.044 billion om $2.081 billion with less than alf the amount of issues.

Prudential-Bache surged to hird place from eighth with 3.194 billion in initial public ofering volume, up from $938.4 illion in 1987.

Merrill Lynch dominated comnon stock underwriting with 4.962 billion, up from $4.416 illion in 1987. Last year's leader, oldman Sachs, sank to No. 6 ith $2.068 billion in volume — ss than one-third its 1987 total f $6.653 billion.

Shearson Lehman Hutton rose o the No. 2 spot with $4.67 illion vs. $3.536 billion in 1987. rudential-Bache again stole the how, rising to third place with 3.325 billion from $1.135 billion n 1987, when it ranked 12th. ■

1988 underwriting rankings
(Full credit to lead manager)

All issues - global*

Firm	Volume $ mils.	Market share (%)
1. Merrill Lynch (3)	46,247.6	9.6
2. First Boston/CSFB** (1)	44,801.4	9.3
3. Goldman, Sachs (5)	41,484.2	8.6
4. Salomon Brothers (2)	39,305.8	8.1
5. Shearson Lehman (6)	27,561.6	5.7
6. Morgan Stanley (4)	27,310.7	5.6
7. Drexel Burnham (7)	21,334.4	4.4
8. Nomura (8)	19,801.8	4.1
9. Deutsche Bank (12)	13,289.9	2.7
10. Prudential-Bache (18)	11,808.7	2.4

* All taxable issues, debt and equity, worldwide
** First Boston/Credit Suisse First Boston
Source: IDD Information Services, New York
Numbers in parentheses show the firm's 1987 ranking

All issues - domestic*

Firm	Volume $ mils.	Market share (%)
1. Merrill Lynch (3)	39,699.4	14.5
2. Goldman, Sachs (4)	36,887.6	13.5
3. Salomon Brothers (1)	33,929.4	12.4
4. First Boston (2)	29,938.2	11
5. Shearson Lehman (6)	25,720	9.4
6. Morgan Stanley (5)	22,958.9	8.4
7. Drexel Burnham (7)	20,923.4	7.7
8. Prudential-Bache (10)	11,033.7	4
9. Bear, Stearns (9)	9,149.2	3.3
10. Kidder, Peabody (8)	7,110.2	2.6

* All taxable issues, debt and equity, sold in U.S. only
Source: IDD Information Services, New York
Numbers in parentheses show the firm's 1987 ranking

All issues - domestic*

Firm	Volume $ mils.	Market share (%)
1. Merrill Lynch (1)	28,916.3	18.1
2. Salomon Brothers (4)	18,020.8	11.3
3. Goldman, Sachs (2)	17,882.1	11.2
4. Shearson Lehman (7)	17,116.4	10.7
5. First Boston (5)	16,594.9	10.4
6. Drexel Burnham (6)	15,132.2	9.5
7. Morgan Stanley (3)	14,845	9.3
8. Prudential-Bache (12)	4,827.6	3
9. Kidder, Peabody (8)	4,061.9	2.5
10. Smith Barney (9)	3,883.8	2.4

* All taxable issues, debt and equity, excluding mortgage-related and agency issues, sold in U.S. only
Source: IDD Information Services, New York
Numbers in parentheses show the firm's 1987 ranking

All debt issues

Firm	Volume $ mils.	Market share (%)
1. Gold[illegible] (5)	34,029.8	14.4
2. Salom[illegible] (1)	32,275.8	13.6
3. Merrill Ly[illegible]	32,272.3	13.6
4. First Bosto[illegible]	28,255	11.9
5. Morgan Stanley (4)	22,061.2	9.3
6. Shearson Lehman (6)	20,155.3	8.5
7. Drexel Burnham (7)	18,886.1	8
8. Bear, Stearns (9)	8,974.3	3.8
9. Prudential-Bache (10)	7,689.1	3.3
10. Kidder, Peabody (8)	6,071.4	2.6

Source: IDD Information Services, New York
Numbers in parentheses show the firm's 1987 ranking

Non-investment grade debt

Firm	Volume $ mils.	Market share (%)
1. Drexel Burnham (1)	11,906.7	42.8
2. First Boston (3)	3,908.1	14.1
3. Morgan Stanley (2)	3,132.7	11.3
4. Merrill Lynch (4)	2,097.5	7.5
5. Salomon Brothers (6)	1,751	6.3
6. Prudential-Bache (15)	1,181.7	4.2
7. Goldman, Sachs (5)	805.2	2.9
8. DLJ (8)	776.3	2.8
9. Smith Barney (11)	696.1	2.5
10. Kidder, Peabody (7)	551	2

Source: IDD Information Services, New York
Numbers in parentheses show the firm's 1987 ranking

Mortgage-related debt

Firm	Volume $ mils.	Market share (%)
1. Goldman, Sachs (4)	16,886.7	17.5
2. Salomon Brothers (1)	12,964.6	13.4
3. First Boston (2)	9,458	9.8
4. Merrill Lynch (3)	9,094.2	9.4
5. Shearson Lehman (5)	8,387.6	8.7
6. Morgan Stanley (6)	7,699	8
7. Bear, Stearns (9)	7,569	7.8
8. Prudential-Bache (10)	6,206.1	6.4
9. Drexel Burnham (8)	4,486.3	4.6
10. Kidder, Peabody (7)	2,943.4	3

Source: IDD Information Services, New York
Numbers in parentheses show the firm's 1987 ranking

Initial public offerings

Firm	Volume $ mils.	Market share (%)
1. Merrill Lynch (1)	4,348.2	18.6
2. Shearson Lehman (5)	4,043.5	17.3
3. Prudential-Bache (8)	3,193.8	13.7
4. PaineWebber (11)	2,789.1	12
5. Wheat, First Securities (2)	2,150	9.2
6. Goldman, Sachs (3)	1,304.6	5.6
7. Alex. Brown & Sons (4)	1,061.7	4.6
8. Drexel Burnham (7)	668.1	2.9
9. First Boston (10)	584.8	2.5
10. Salomon Brothers (6)	517.3	2.2

Source: IDD Information Services, New York
Numbers in parentheses show the firm's 1987 ranking

Common stock

Firm	Volume $ mils.	Market share (%)
1. Merrill Lynch (2)	4,962	16.8
2. Shearson Lehman (3)	4,670	15.8
3. Prudential-Bache (12)	3,324.6	11.2
4. PaineWebber (13)	2,856.4	9.6
5. Wheat, First Securities (6)	2,150	7.3
6. Goldman, Sachs (1)	2,067.8	7
7. Drexel Burnham (7)	1,803.4	6.1
8. Alex. Brown & Sons (4)	1,176.4	4
9. Salomon Brothers (9)	1,077.6	3.6
10. First Boston (5)	853.3	2.9

Source: IDD Information Services, New York
Numbers in parentheses show the firm's 1987 ranking

Preferred stock

Firm	Volume $ mils.	Market share (%)
1. Merrill Lynch (4)	2,465	33.7
2. Shearson Lehman (7)	894.7	12.2
3. First Boston (3)	853	11.7
4. Goldman, Sachs (2)	790	10.8
5. Kidder, Peabody (6)	634	8.7
6. Salomon Brothers (5)	576	7.9
7. Morgan Stanley (1)	359.9	4.9
8. Drexel Burnham (8)	233.9	3.2
9. Smith Barney (NA)	135	1.8
10. DLJ (12)	109.1	1.5

Source: IDD Information Services, New York
Numbers in parentheses show the firm's 1987 ranking

LBOs tarnished

Continued from page 1

The largest public fund, the $46 billion California Public Employees' Retirement System in Sacramento, is seriously considering entering the leveraged buy-out market in 1989.

Basil Schwan, assistant executive officer, said the board will be presented in January with a working draft of a policy that says there are opportunities in "selective" leveraged buy-out investments.

"We think that the LBOs, if selected carefully and with care, offer a good return opportunity," he said.

The leveraged buy-out field has attracted much notoriety of late with the $25 billion leveraged buy-out of RJR Nabisco Inc. Members of Congress have indicated they will hold hearings this year on the use of pension money for leveraged buy-outs.

One fierce critic of leveraged buy-outs is Wm. Irwin Arbuckle II, vice president for investment and treasurer of the $2 billion Board of Pensions of the Presbyterian Church (U.S.A.) in Philadelphia. Mr. Arbuckle said he hopes Congress gets involved because he fears for the safety of workers' pensions.

"We haven't gone through a recession yet," he said. "I define a recession as 12 consecutive quarters of down GNP. If that happens, practically all the LBO (companies) would be bankrupt."

Mr. Arbuckle is strongly critical of the fees investment bankers receive up front before the company proves the buy-out was beneficial.

"It's legalized theft: theft from stockholders; theft from employees; theft from vendors; and more especially, theft from bondholders."

"I think it's a crime. I pray that Congress imprisons those responsible. It's ruining the financial industry."

One who is not critical but at least temporarily has stayed out of investments in leveraged buy-outs is Marshall Burkes, executive director of the Wisconsin Investment Board, Madison. Wisconsin made no new buy-out investments last year, and has committed $700 million over the years.

"The feeling was that there was too much money committed to an increasing number of funds."

The Michigan State Employees' Retirement Systems, Lansing, has been pleased with the performance of about $200 million drawn from its $400 million commitment to LBOs, but will seek a provision in future contracts that its assets not be used in hostile takeovers, according to Robert Kolt, public affairs officer for Robert Bowman, state treasurer.

Mr. Bowman also plans to develop a policy under which the state pension fund would buy stock of Michigan-based companies that are the subject of hostile bids, in order to defend these companies against hostile takeovers, Mr. Kolt said.

The Oregon Public Employes Retirement System, Salem, still has about half of its $600 million commitment to leveraged buy-outs uninvested. James George, investment manager, said he couldn't guess how buy-outs will perform in 1989, but he thinks the increasing amount of assets committed to the area does not necessarily mean returns will fall.

"It's a one-deal-at-a-time investment business," he said. "It doesn't preclude any transaction from being profitable or not profitable."

James Biundo, executive director of trust investment management for U S WEST Inc., Englewood, Colo., said his $8.1 billion fund n had considered leveraged buy-out investments, but hasn't made any so far because he hasn't figured out how to characterize them.

"We haven't figured out how to rationalize them (LBOs) as true investments," he said. "With venture capital, our people stay very close to the management of the investment. It's not the same with LBOs." ■

PENSIONS &
Investment Age

January 23, 1988

Special Profile Issue

$25 an issue

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INSIDE: The 1,000 largest pension funds

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[illegible] January 23, 1989

InvestmentAge

The newspaper of corporate and institutional investing $110 a year

Cash flow, growth lag

Contribution drop to hit market

By Fred Williams

Contributions to public pension funds are starting to dry up, prompting concern that a major source of cash flow to the capital markets will evaporate.

Fueled largely by the loosening of investment restrictions and the availability of cash flow, public pension funds had been the second largest buyers of common stock — second only to corporations buying back their own stock — since 1985. Public funds pumped $105.8 billion into the stock market during 1987 alone and $53.8 billion during the first three quarters of 1988, according to the Federal Reserve Board.

During much of the same period other markets also were fueled by the cash flow from public funds, which lagged their corporate counterparts in moving into such asset classes as real estate and international.

At the same time, a raging bull market helped turn corporate funds into significant sellers of stock, as they lowered contributions, raised interest-rate assumptions and locked up gains. Mutual funds and individual investors, many of whom turned to the fixed-income markets, also were net equity sellers.

Public fund cash flow (which a pension fund derives from contributions from its sponsor and investment income) is eroding even more because benefit payments to participants are increasing, so many public funds are withdrawing more money than they are depositing.

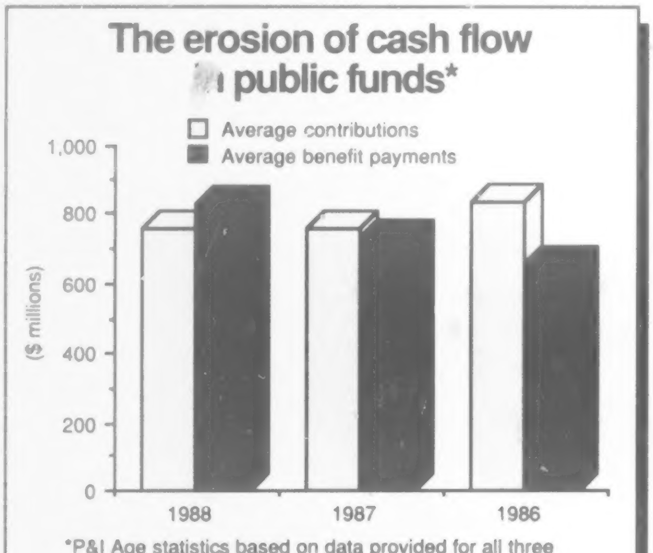
Statistics compiled by *Pensions & Investment Age* show the average contribution for 22 of the largest public funds declined 9.4% in three years, to $755.3 million in 1988 from $760.3 million in 1987 and $833.4 million in 1986. Benefit payments, meanwhile, grew an average of 25.7% during the same period, to $828 million in 1988 from $734.7 million in 1987 and $658.7 million in 1986, according to *P&I Age* data. Research by the Employee Benefit Research Institute, Washington, on the other hand, shows public fund contributions increased between 1984 and 1987, but at a slower rate each year.

Contributions are slowing for a cornucopia of reasons, many of which affected corporate pension funds several years earlier:

- Plans are becoming more fully funded; that is, the amount of assets is catching

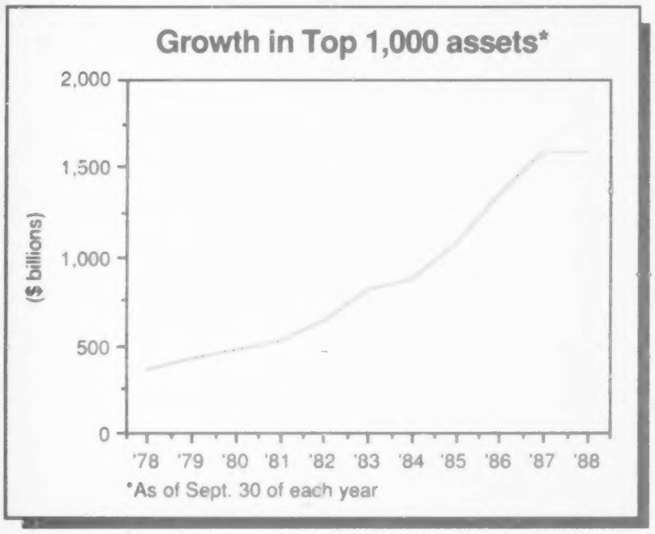
Continued on page 90

The erosion of cash flow in public funds*



*P&I Age statistics based on data provided for all three years by 22 of the 25 largest public pension funds

Growth in Top 1,000 assets*



*As of Sept. 30 of each year

Assets' rise halted

By Carol Wiley

Asset growth of the nation's 1,000 largest employee benefit funds ground to a virtual halt in the year ended Sept. 30 — a period that includes the worst stock market crash in history.

The period marked the slowest one-year growth rate since *Pensions & Investment Age* began tracking the data in 1977.

What little growth there was came from defined contribution plans, especially thrift and savings plans and 401(k) plans. Defined benefit assets declined.

Total assets as of Sept. 30 were $1.586 trillion, up 0.5% from the previous year's $1.578 trillion. Assets of the 200 largest funds rose 0.3% to $1.202 trillion from $1.198 trillion a year earlier. Assets of the Bottom 800 increased 0.9%, to $383.41 billion from $380.1 billion.

The turbulent market at the beginning of the 12-month period and the recovery in the months that followed contributed to slow growth, consultants said.

Greater exposure to the equity market by defined benefit plan assets, which represent the largest portion of the total pension assets, helped to bring total assets down, said Ron Jones, partner of Hewitt Associates, Lincolnshire, Ill.

Continued on page 91

ESOPs gaining more forceful roles

By Barry B. Burr

Encouraged by Procter & Gamble Co.'s move and the Polaroid Corp. court ruling, more corporations are expected to set up leveraged employee stock ownership plans to protect against unwanted takeovers and to cut employee benefit costs.

Leveraged ESOPs are being viewed not only as an anti-takeover device, the central issue in the recent Polaroid ruling, but also as a way of providing the same benefits at less cost by using additional tax advantages.

Adapting a design suggested by Goldman, Sachs & Co., New York, Cincinnati-based Procter & Gamble will make a leveraged ESOP part of its existing profit-sharing plan. As a result, said J.R. Smith, Procter & Gamble's manager-pension plan coordination, P&G will receive additional tax benefits and cut its pension cost for making the same amount-of contributions it had been making to its profit-sharing plan alone. Employees will receive the same projected benefits under the newly combined ESOP profit-sharing plan, he added.

Goldman, Sachs — Procter & Gamble's chief investment banker — "was actually more responsible in coming to us and suggesting (the leveraged ESOP) to us," said Mr. Smith.

Goldman officials also are assisting with obtaining financing for the ESOP through private placements, mainly from insurance companies.

Procter & Gamble might have been more motivated by costs than the anti-takeover issue because the profit-sharing plan already holds 14% of the stock, suggested Corey Rosen, executive director of the National Center for Employee Ownership, Oakland, Calif.

In a sense, Mr. Smith indicated, Procter & Gamble is waking up to tax advantages available since the tax reform legislation of 1986.

"Recent legislation has allowed companies to use dividends to pay off a leveraged ESOP loan and get tax deductions," he said. "We've become more aware of it and we see the advantages of the program."

Procter & Gamble's profit-sharing contribution totaled about $180 million on a pre-tax basis last year. With the additional ESOP tax advantages, he said the cost to the company of making the same contribution will be less, although he declined to estimate the reduction.

"There's been a lot of companies interested in this," said Karen W. Brown, group vice president at Duff & Phelps Inc., Chicago. "We expect to see more companies do this."

Speaking in general about the plan, Ms. Brown said: "Through the leveraged purchase of equities, companies are pre-funding their pension obligations at a lower net cost. The company is buying today all the stock it wants to contribute to the fund. It's cheaper than purchasing stock over time gradually" at a higher price, presuming it rises in value.

"I'll wager you'll hear other major announcements" of companies forming similar leveraged ESOPs, said Mr.

Continued on page 91

LATE NEWS

Hooks resigns from Texas fund

AUSTIN, Texas — Jim Hooks, investment officer for the $8 billion Texas Permanent School Fund, resigned Dec. 31 after 15 years with the fund.

Walter Arellano, assistant investment officer, is serving as acting investment officer until a permanent replacement for Mr. Hooks is named by the fund's board of trustees.

Mr. Hooks said he had no immediate plans, but that he left because he wanted a change of pace.

Mr. Arellano said he has applied for the job. He said the board has assigned a committee to oversee the naming of a new investment officer. The board is expected to make its selection in February or March.

Deutz-Allis taps 3 for $15 million

MILWAUKEE — Deutz-Allis Corp. has hired three managers to run portfolios for two pension plans and a 401(k) plan, said Ed Walker, director of finance.

Hired to run the entire $8.5 million pension plan for hourly workers was Cashman, Farrell and Associates, Wayne, Pa., and to manage the $4.5 million pension plan for salaried employees was Lowe, Brockenbrough, Tierney & Tattersall, Richmond, Va.

Picked to run the $2 million equity portion of its $19 million 401(k) plan for salaried employees was GAMCO Investors Inc., New York. The remainder is invested in guaranteed investment contracts.

Mellon Equity Associates, Pittsburgh, previously ran the assets involved from the three plans.

Morgan Keegan & Co. Inc., Atlanta, was the consultant used for the manager selections.

College searching for realty firm

BEREA, Ky. — Trustees of the $226 million Berea College endowment fund are expected to hire a real estate manager from a group of three managers now under consideration, said Ted Jennings, assistant controller.

Cambridge Associates, Boston, is assisting in the search, he added.

Mr. Jennings, who declined to name the three finalists, said a decision is expected at the trustees' board meeting near the end of January. He said the amount of the potential funding for the new manager hasn't been determined.

The fund already has an undisclosed portion in real estate run by HLM Management Co. and T.A. Associates, both of Boston.

1,000 FUNDS

Top 1,000 funds	13	Indexed stocks	48
Total assets	13	Indexed bonds	50
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Vol. 17, No. 2 — Pensions & Investment Age (ISSN 0273-5466) is published biweekly with a special edition in May, at 740 Rush St., Chicago, Ill. 60611. Second class postage paid at Chicago, Ill. and at additional mailing offices. Postmaster: Send address changes to Pensions & Investment Age, Circulation Dept. 965 E. Jefferson, Detroit, Mich. 48207. Copyright 1989.

Cover: Left to right, descending: John Carroll and Dave Bullett (photographed by John Kennard), and Dale Hanson (photographed by Linda Sue Scott); design by Kristina M. Schramm.

Questionnaires to be mailed

Questionnaires for the 1989 Investment Advisers profile issue will be sent out Feb. 1. If you were not included in last year's issue and wish to receive a questionnaire this year, please contact Christine Philip, directory coordinator, at *Pensions & Investment Age*, 740 N. Rush St., Chicago, Ill. 60611-2590; (312) 649-5217.

Tender-offer guide

Clarification delayed; little impact seen

By Joel Chernoff

WASHINGTON — Investment practices likely won't change when the Labor and Treasury departments clarify that private pension plan fiduciaries are not required to sell their shares in a tender offer or leveraged buy-out.

"Can you imagine going before an investment committee when you had the stock at 70, the tender was at 90 (you decided not to sell) and now it's back at 60?" asked Charles H. Salisbury Jr., vice president and director of T. Rowe Price Associates Inc., Baltimore.

Robert A.G. Monks, formerly head of the Labor Department's pension program and now president of Institutional Shareholder Services Inc., Washington, agreed. "It's simply so difficult for a money manager to act in his own interest by not tendering," he said.

The government's policy "is not going to be self-executing," Mr. Monks added.

But pension executives will have to wait for the Bush administration to inform them of their full responsibilities under the law.

The planned release of a joint statement by departments last week was scuttled at the 11th h because of political reasons.

Officials decided it would be "more appropriat be done at the beginning of the Bush administrat than at the end of the Reagan administration," plained David M. Walker, assistant secretary for Labor Department's Pension and Welfare Bene Administration.

The statement will be part of the new administ tion's focus on making U.S. business more co petitive, he said.

Growing concern has been expressed by gove ment officials about the leveraging of corpor America. Nine congressional committees are abou hold hearings on corporate takeovers, leveraged b outs and the shift toward debt from equity.

Some observers believe a number of pension p fessionals "are acting in an overly short-sighted myopic manner," explained Mr. Walker.

"It is important that pension plans conduct th

Continued on pag

IRS clips wings of Eastern

← TO "F" GATES
EASTERN

Eastern Air Lines will have to contribute $105 million to its pensi fund as part of the terms of the IRS' latest funding waiver.

By Joel Chernoff

WASHINGTON — The Internal Revenue Service has thrown a monkey wrench into the financing plans of Eastern Air Lines Inc., requiring the troubled company to make a $105 million contribution to its underfunded pension plan by Sept. 15.

In addition, the airline must pay the fund part of the proceeds from any asset sales.

The requirements were imposed by the IRS in granting a one-year waiver of the pension obligation, during which it rejected a request by Miami-based Eastern to extend the pension payments over a five-year period.

As of Dec. 31, 1987, Eastern had pension assets of $1.2 billion and liabilities of $1.5 billion.

The effect of the conditional waiver likely will be to further hasten the sale of Eastern's assets and erode the company's cash reserves. As of Sept. 30, Eastern had cash and marketable securities of $387.1 million.

The airline was given until Sept. 15 to make its 1987 plan year contribution, which originally had been due in September 1988. The waiver also covers partial repayment of a $60.4 million waiver granted for the 1985 plan year.

The IRS also is requiring Eastern to contribute a percentage of any asset sales made on or after Dec. 15, 1988, to the plan within 30 days of any transaction, effectively accelerating repayment. In addition, Eastern will have to secure the waived contribution, although the company is negotiating with the government on the collateral.

The hard line taken by the IRS reflects tougher rules imposed on funding waivers by the Pens Protection Act of 1987, exp said. "Under the '87 law, you h to factor in the determinatio whether the company will be to repay" the deferred contri tion, said Leonard Hirsh, a p ner in the law firm of Parker C pin Flattau & Klimpl, New Yo

Previously, an employer ha show it was experiencing "s stantial business hardship." N an employer must show evid the company — as well as ot under common control — is vi in the long run.

Continued on pag

Private debt revalued

By Marlene Givant Star

More institutional investors are marking to market their privately placed bonds, paving the way for greater market liquidity, new participants and better asset/liability management by insurance companies.

As market valuation of private debt gains in popularity, mutual funds could introduce products specializing in the securities and insurers would be able to establish track records with which to market new private placement products.

Although until recently marking to market largely has been a guessing game, "there's an emerging interest on the part of most insurance companies" to do so, said Jack Cartland, managing director-private finance of Aetna Life Insurance Co., Hartford, Conn., which has $11 billion in private placements.

As the process gains popularity, issuers wary of private deals because of a lack of market valuations for the unregistered securities might take the market.

"It's just another element of making the market more efficient. Issuers are looking for the most efficient transaction. To the extent it makes the buyer more competitive, it might bring more issuers to the market," said Joel Glasky, head of private placements at Shearson Lehman Hutton Inc., New York.

By marking to market both their private placement assets and corresponding liabilities such as guaranteed investment contracts, insurers — the dominant investors in private deals — would keep better tabs on their balance sheets.

Insurance companies typic carry private placements on t books at amortized cost rat than market. Only New York quires insurance companie match interest rate-sensit assets to liabilities for purpose reporting to the state insura commissioner.

The Prudential Insurance Co America, Newark, N.J.; The T velers Cos., Hartford, Conn.; Aetna are among the few ins ance companies that mark market on a regular basis.

The plight of the savings loan industry has highlighted importance of asset/liabi matching, according to observe

"Most of the debacles in fi cial services in the last 10 y could have been avoided by u a market valuation appro across the whole balance sh

Continued on pag

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Equity ▪ Balanced ▪ Fixed Portfolios

Nuclear trusts to hit $60 billion

By Curtis Vosti

Nuclear decommissioning trusts will total $60 billion at maturity under the "most conservative scenario," a new survey shows.

The $60 billion estimate likely is the most accurate to date; surveyors received responses from 50% of the 92 utilities with nuclear capacity, and the respondents represent more than two-thirds of the nation's nuclear operating capability.

Previously, analysts had estimated the trove to be anywhere between $50 billion and $100 billion, although they admitted no definitive figures were available (*Pensions & Investment Age*, July 11).

Investment managers and consultants are expected to court utilities seriously to gain a piece of the trust business. Nuclear Regulatory Commission rules mandate the use of outside money managers by June 30, 1990.

The survey was developed by National Investment Services of America, a Milwaukee money manager.

It was conducted by Eager & Associates, a Louisville, Ky., market research firm.

Most of the survey respondents indicated they would hire just one external manager initially, but almost one-third said they expect to expand to between two and four managers after three years.

The survey noted 54% of the respondents said they have separate trusts in place, while another 37% said they are working in-house on a plan to meet NRC requirements.

"The survey demonstrates the great progress utilities have made," said Tom Tuschen, vice president of NISA. "When NISA first began exploring the investment needs of decommissioning trusts several years ago, only a handful were exploring the requirements for establishing an external trust."

There are three types of utilities, explained Mr. Tuscher: investor-owned; municipal; and cooperatives. According to the survey, investor-owned utilities expect real returns (after discounting for inflation) of up to 2% on their decommissioning trusts; municipals and cooperatives expect real returns of 5% or more, because of their tax-free status.

Most of the investor-owned utilities, which accounted for 92% of the respondents, said they will invest primarily in tax-exempt bonds and U.S. Treasury securities. Only 5% said they would invest in less-than-investment-grade bonds.

Changes in the laws affecting nuclear decommissioning trusts could alter that allocation, according to the survey. Currently, contributions by investor-owned utilities to qualified trusts are tax deductible but limited to so-called "black lung" investments, named after trusts set up to provide for coal miners afflicted with pneumoconiosis developed by inhaling coal dust.

Those restrictions basically limit trust investments to certificates of deposits at banks or credit unions, municipal bonds or Treasury securities.

If taxes on trust earnings, now at 34%, were reduced or eliminated, the survey showed, the investor-owned utilities would switch their fixed-income holdings to taxable bonds. ▪

CORRECTIONS & CLARIFICATIONS

- Predictions on midyear and year-end 30-year Treasury bond rates were attributed incorrectly to **Richard Rippe**, chief economist at Dean Witter Reynolds Inc., in a Dec. 26 article. Mr. Rippe had no predictions for 30-year T-bonds at the time of the survey.
- In a chart of top index fund managers in the Dec. 26 issue the $250 million in international indexed assets managed **Axe Core Investors Inc.**, Tarrytown, N.Y., were listed inadvertently under fixed income index funds.

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For more complete information about Fidelity's defined contribution plan services, including fund prospectuses covering management fees, expenses, and applicable sales charges, please call Jeffrey Paster, Vice President, at 1-800-345-5033. In Massachusetts call collect 617-570-5692.

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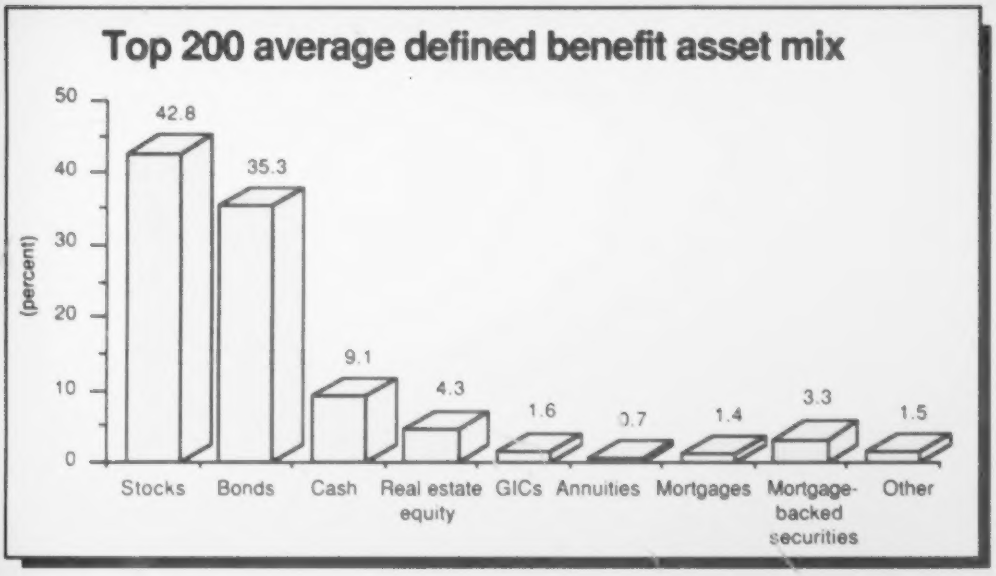


Top 200 average defined benefit asset mix

Funds reduce stocks

Allocations drop from pre-crash levels

By Barry B. Burr

More than half of the 200 largest pension funds reported reduced equity allocations during the year ended Sept. 30, reflecting the fallout from the largest one-day fall in the stock market in October 1987.

In statistics compiled by *Pensions & Investment Age*, 102 of the funds reported decreases, 36 reported increases and 11 reported no change during the year.

If the trend were extrapolated for the other 51 funds in the Top 200 whose reports weren't complete enough to determine asset allocation changes, it would indicate the equity allocation dipped for more than two-thirds, or 137, of the 200 funds, while it increased for 48.

Although some funds did report substantial drops in their equity positions, in the aggregate, the reduction was relatively small. As of Sept. 30, the Top 200 funds had 42.8% of their defined benefit assets allocated to equities, compared with 47.1% a year earlier.

While some funds might have made a conscious effort to realign their asset allocations, others might have found their asset mix already adjusted because of market activity.

The asset shifts offered few clues to performance of the Top 200 funds during the year. With widely varying asset allocations, they achieved widely varying results, using asset growth, net of any reported corporate pension contributions and benefit payments, as a proxy for performance.

The largest decrease in equities, a 32 percentage-point drop to 32% from 64% of assets by the $8.717 billion Maryland State Retirement Systems, Baltimore, was the result of a growing unease about the stock market and was done, almost presciently, days before the October crash (*P&I Age*, Oct. 19, 1987).

At Textron Inc., Providence, R.I., Richard A. Watson, president of Textron Investment Management Co., and vice president of the parent corporation, noted the $2.126 billion defined benefit fund made several equity allocation changes before and after the crash. But he said, "We're doing nothing different than we always have done."

"We began in late 1986 and early 1987 to reduce equity exposure and we continued to do that right up to the crash," he said. "We made some modest increases after the crash."

As of Sept. 30, 1987, Textron had 40% in equities, but since has reduced that position to 34% as of Sept. 30 and to about 30% as of earlier this month.

"Our basic policy calls for less equity exposure than the typical fund because we are more aggressive users of real estate and private placements with equity features," he said.

With more emphasis on alternative assets, he said, "We've achieved similar returns (as funds with higher equity allocations) with lower risks."

Few, if any, of the other allocation changes were probably as favorably timed.

Martin Marietta Corp., Bethesda, Md., which already had a low equity allocation of 37% of its $2.001 billion in defined benefit assets, reported a new allocation of 20%. During the same time, it raised its cash allocation to 55% from 45% of total assets.

E.I. du Pont de Nemours & Co., Wilmington, Del., reported lower allocations to equities and longer-term fixed income by a total of 23 percentage points, putting nearly all of the proceeds into cash. The $11.57 billion fund raised its cash position 22 points, to 32% from 10%, the largest increase among the Top 200 funds. Equity exposure now is 47% vs. 57% a year earlier, while bonds now are 14% vs. 25% a year earlier.

The $2.146 billion defined benefit fund of Minnesota Mining & Manufacturing Co., St. Paul, Minn., despite a 16-point drop in its equity allocation, still keeps a relatively large equity position, at 51%. FPL Group Inc., Miami, parent of Florida Power & Light Co., maintains an even larger equity position, at 65% of its $1.231 billion in assets, even though it reported an 11-point drop.

Southwestern Bell Corp., St. Louis, reported its equity position dipped by 9 points to 53% from 62% of assets after the October crash. But Mary Ann Devine, director-investments and administration, said the change "was based on an actuarial study to add to a dedicated bond portfolio and not based on the market crash."

"We're in (the stock market) for the long term," she added. "It's very difficult to make snap decisions. You can't easily move a lot of money out of equities. Where are you going to move it? That's the reason you have asset allocation. When one's down the other is up, you have other asset classes that carry you through."

Southwestern Bell had $6.086 billion in defined benefit assets as of Sept. 30.

Among the funds increasing their equity positions, the co-leaders are the $1.985 billion fund at Owens-Illinois Inc., Toledo, Ohio, and the $1.343 billion Baltimore City Employees Retirement System, both increasing their allocations by 12 percentage points. But Owens-Illinois is decidedly the more bullish, raising its equity position to 67% of assets from 55%. The 67% ranks Owens-Illinois as having the seventh highest equity allocation among the Top 200 as of Sept. 30. Baltimore's increase raised its allocation to 41% from 29%.

Three funds raised their posi-

Continued on page 63

Buy-outs remain hot investment among Top 200

By Andrew Reinbach

Major pension funds continued their plunge into leveraged buy-outs during the year ended Sept. 30, while statistics regarding private placement investments presented no clear trend.

Of the nation's Top 200 pension funds, 13 funds — eight corporate and five public — had increased their investments in leveraged buy-outs to $2.282 billion as of Sept. 30, up 79.5% from the $1.271 billion those funds had reported a year earlier.

In addition, six funds — four corporate and two public — made their first ventures into leveraged buy-outs, with total investments of $155 million.

Three funds reported no change in allocations, while one — the Washington State Investment Board, Olympia — reduced its leveraged buy-out investments to $808 million from $990 million.

As of Sept. 30, 23 of the Top 200 funds had a total of $3.471 billion invested in leveraged buy-outs, compared with $3.678 billion from 22 funds a year earlier. The 1988 data, however, reflects only defined benefit assets, while the previous year's totals include defined contribution assets.

On the private placement front, no clear pattern of activity emerges.

Among the Top 200 funds, 14 funds — nine of them corporate — reported first-time private placement investments totaling $2.543 billion as of Sept. 30, while another 14 funds increased their positions a total of $903 million, or almost 14%, to $6.243 billion from $5.478 billion a year earlier. Yet, 18 funds reduced their private placement portfolios a total of $975 million, or 31%, to $2.166 billion from $3.141 billion the previous year.

Five funds reported no change in their private placement portfolios from year to year.

As of Sept. 30, 52 of the Top 200 funds had private placement investments totaling $11.329 billion, compared with $19.902 billion from 44 funds the previous year. Again, the 1988 data reflect only defined benefit assets.

A sampling of leveraged buy-out investors by *Pensions & Investment Age* showed those funds that increased their investments did so for purely financial reasons, and did not agonize at any great length on the possible social and political ramifications noted by critics of leveraged buy-outs.

Some of the allegedly negative results of leveraged buy-outs include the possible loss of jobs and tax revenue as well as the question of whether the great sums of money and debt loads associated with leveraged buy-outs are a wise deployment of national assets.

"Our first priority is to make money for our retirees," said Robert T. Bowman, Michigan's state treasurer. "Should I stop buying Treasury bills because it raises interest rates and cuts production of cars?"

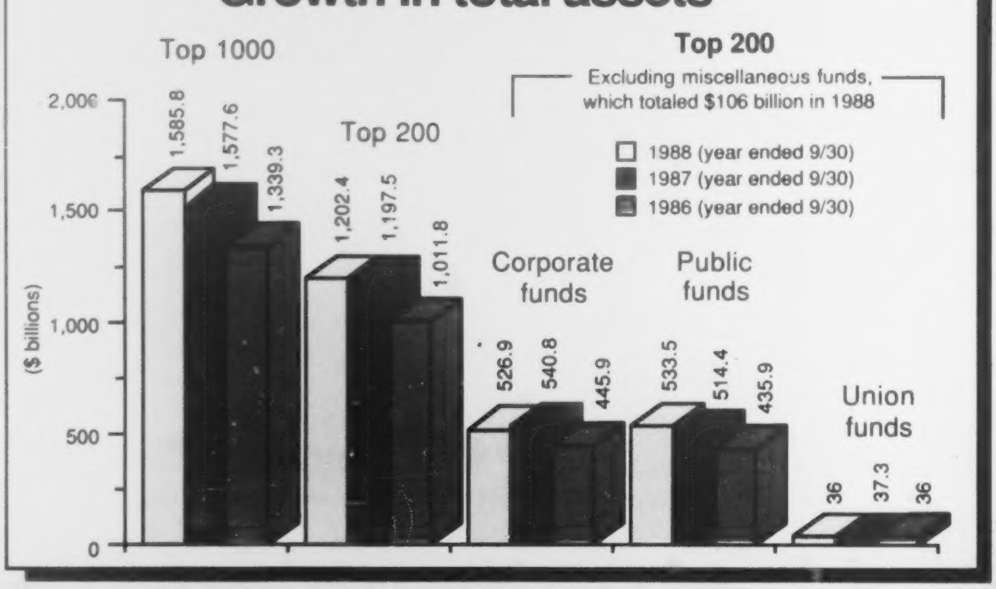
Mr. Bowman also said Kohlberg Kravis Roberts & Co., New York, has promised officials of the $15.798 billion State of Michigan Employees Retirement System, Lansing, the firm will act as a white knight "if someone comes along to buy a Michigan company. In that sense, we're producing jobs."

The Michigan fund had $148 million in leveraged buy-out investments as of Sept. 30, compared with $110 million the previous year.

Marvin L. Damsma, director of pension fund administration for the $2.214 billion defined benefit fund of Amoco Corp., Chicago, agreed with Mr. Bowman and took the thought a step further. "It's not clear who's been hurt in these deals, or who's been helped, for that matter," he said. "These are companies that would've gone through that process anyway."

Amoco had $76 million in leveraged buy-out investments as of Sept. 30, a figure Mr. Damsma

Continued on page 63



Growth in total assets

Funds keeping options open

Diversified managers most popular

By Trudy Ring

Investment firms that offer a wide variety of strategies and large index fund or core managers are those used most frequently by the Top 200 pension funds.

The top manager overall, with 58 mentions by the Top 200, was J.P. Morgan Investment Management Inc., New York. The firm is prominent in several asset classes, as is the runner-up, Prudential Asset Management Group, Newark, N.J., which was mentioned 56 times.

Wells Fargo Investment Advisors, San Francisco, the largest index fund manager, was noted 53 times, as was Trust Co. of the West, Los Angeles, another firm that runs assets in several classes. Equitable Capital Management Corp./Equitable Real Estate Investment Management Inc., New York, placed fifth with 45 mentions.

Pensions & Investment Age asked the Top 200 funds to list the managers they use for their defined benefit assets. If they use a manager for more than one assignment, each assignment counted in the manager's overall total. The leading managers in the stock and bond categories, however, reflect the number of Top 200 funds using the firm.

In some cases, pension sponsors declined to list their managers and *P&I Age* had to get the data from other sources, such as the 1989 Money Market Directory. These manager listings did not count toward each firm's total.

Most of the managers that ranked high in this survey also did so in the previous year. There was some shifting within the rankings and some slight change in the number of accounts listed for each manager. These shifts, however, could be due to the fact that MMD listings were not counted, as they were last year, and the fact some pension funds moved into or out of the Top 200.

The listing of the top overall, bond and equity managers really yielded no surprises, a consultant said when asked to interpret the data. "If you had told a group of us that you had this data and asked us to write down what names we thought you had, I think most of us would have written down the vast majority of these names," said Sandy Lincoln, managing director of William M. Mercer Meidinger Hansen Inc., Deerfield, Ill.

Most of the top equity and bond managers, he said, either are indexers or "core" managers, which take an active approach but still give broad market exposure. Some of the top overall managers have carved out a niche in specialty areas, such as real estate, he added.

There are no boutiques among the top listings, but there are some firms that have grown from boutique status, such as Criterion Investment Management Co., Houston, and Miller, Anderson & Sherrerd, Bala Cynwyd, Pa., Mr. Lincoln said.

J.P. Morgan, as well as being the top manager overall, was the top fixed-income manager, used by 24 funds in the Top 200. A spokeswoman attributed the firm's overall popularity to the breadth of investment products it offers. In fixed income, she said, a broad market view also has helped, as have consistently above-average returns.

An active fixed-income manager, J.P. Morgan also may be termed a core manager because of this breadth, she said. The firm does no bond indexing; it is prominent in immunization, but its active business is bigger, she said.

Pacific Investment Management Co., Newport Beach, Calif., ranked second among bond managers with 21 accounts. The firm is quantitatively oriented and was one of the first big users of fixed-income futures. PIMCO does not do much indexing, but rather makes modest shifts in portfolio duration and some bets on sectors and quality in the bond market.

"We're a firm that is fairly active, but active across a broad frontier," said William Gross, managing director.

Ranking next, with 12 fixed-income accounts each, were Criterion, an active manager that makes much use of proprietary computer technology, and Loomis, Sayles & Co., Boston, whose decentralized approach results in a wide variety of styles among its regional offices.

Following with 11 accounts each were State Street Bank and Trust Co., Boston, a major manager of index funds and quantitative strategies, and Miller, Anderson & Sherrerd, an active manager using sector analysis.

Wells Fargo, in addition to its high ranking overall, was the top equity manager, with 28 clients among the Top 200 funds. The firm also ranked in the top 10 for bonds, with 10 accounts.

The popularity of indexing and other structured investment styles has enhanced Wells Fargo's position, said Frederick L.A. Grauer, chairman. "I believe that the market share of traditional investment styles is decreasing," he said.

The second most popular equity manager, Alliance Capital Management Corp., New York, has seen most of its growth in indexing, although it also offers active management, said Dave Williams, chairman. Alliance was used by 26 funds.

The next firm on the list, however, Capital Guardian Trust Co., Los Angeles, is a value-oriented, bottom-up manager, with a focus on fundamental research, just the opposite of indexed and structured strategies. "Obviously, we do not believe the market is completely efficient," said Robert Kirby, chairman.

Still, both Capital Guardian and INVESCO Capital Management, Atlanta, a Graham and Dodd stock picker, fit the description of core managers, so their presence on the list is not really a surprise, Mr. Lincoln said.

Both Capital Guardian and INVESCO had 18 clients among the Top 200 funds.

Rounding out the top five equity managers is Bankers Trust Co. — Investment Management Group, New York, which is prominent in indexing and quantitative strategies. The firm was used by 17 funds.

The three firms that joined J.P. Morgan and Wells Fargo in the top five overall list did not place that high in either bonds or equities. They all, however, offer strategies in several asset classes and had numerous mentions for real estate.

"We have 17 separate investment management units and over 47 different styles of management," said Jim Blanchard, senior vice president of Prudential Asset Management. "Given that, we probably satisfy one or two or three needs in anybody's portfolio."

He added some of the units do not bear the Prudential name and therefore wouldn't be included in the total in *P&I Age's* listing, but still add to the firm's market share.

Prudential Asset Management's 56 accounts, 27 were for real estate.

TCW had 19 of its 53 accounts

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Top managers overall

	Times mentioned
J.P. Morgan	58
Prudential	56
Wells Fargo	53
TCW	53
Equitable	45
State Street Bank	40
Capital Guardian	39
Mellon*	39
Alliance	38
Aetna	37

*Includes all mentioned subsidiaries of Mellon Bank

Top equity managers

	No. funds using
Wells Fargo	28
Alliance	26
Capital Guardian	18
INVESCO	18
Bankers Trust	17
Delaware	15
Trinity	15
RCM	15
TCW	13
Loomis Sayles	13
Lazard Freres	13
Oppenheimer	13
Fayez Sarofim	13
Jennison	13

Top bond managers

	No. funds using
J.P. Morgan	24
PIMCO	21
Loomis Sayles	12
Criterion	12
State Street Bank	11
Miller Anderson Sherrerd	11
Wells Fargo	10
Lincoln	10
Mellon*	9
Putnam	8
Lehman	8

*Includes all mentioned subsidiaries of Mellon Bank

Profile statistics at a glance

($ billions)

	1988	1987
Top 1,000 assets	1,585.8	1,577.6
Top 200 assets	1,202.4	1,197.5
Top 100 assets	1,004.1	1,002.4
Top 50 assets	791.8	794.2
Top 25 assets	581.9	582.0
Top 200 defined benefit	972.8	984.9
Top 200 defined contribution	112.7	104.2
Top 200 profit-sharing	11.8	19.1
Top 200 thrift/401(k)	80.9	67.6

Top 200 fund statistics*

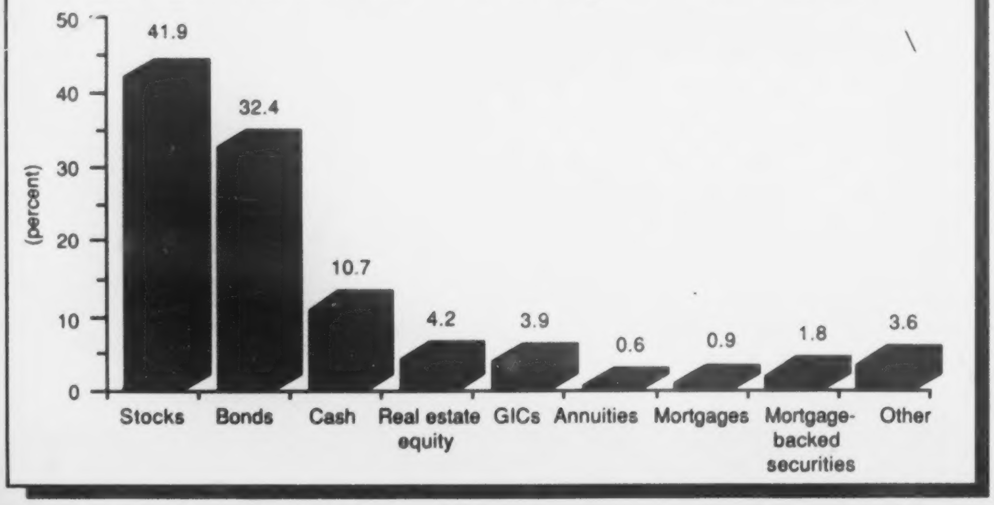
	1988	1987
Internal management**	426.7	475.8
Internally managed equities	139.6	192.6
Internally managed fixed	198.8	206.2
Internally managed short-term	37.7	38.6
Internally managed other	31.9	25.8
Stock index funds	114.3	141.3
Internally managed indexed equities	41.3	63
Bond index funds	40.8	45
Internally managed indexed fixed	2.3	2.7
Real estate equity	35.3	28.0
Mortgages	18.8	31.2
Mortgage-backed securities	50	49.9
GICs	8	8.8
Overseas	27.6	31.9
Overseas - equity	21	26.3
Overseas - fixed	5.8	4.5
Overseas - other	0.8	1.1
Venture capital	3.9	2.9
Dedication/immunization	26.4	24.6
Oil & gas	0.7	1.3
LBOs	3.5	3.7
Private placements	11.3	19.6
Contributions paid	39.2	40.1
Benefits paid	42	38.2

Number of Top 200 funds using alternative investments*

	1988	1987
Internal management	116	125
Stock index funds	105	105
Bond index funds	44	41
Real estate equity	128	134
Mortgages	61	60
Mortgage-backed securities	78	86
GICs	44	48
Overseas	87	94
Venture capital	65	72
Dedication/immunization	31	27
Oil & gas	21	22
LBOs	23	22
Private placements	52	44
Stock index futures	67	72
Fixed-income futures	50	46
Stock options	59	65
Fixed-income options	25	19

* Based on defined benefit assets only
** Total is greater because some funds did not break out assets

Aggregate asset mix of the largest 1,000 funds



Termination waves ebb for PBGC

By Joel Chernoff

WASHINGTON — After experiencing wave upon wave of terminations of underfunded pension plans through the 1980s, life finally started quieting down at the Pension Benefit Guaranty Corp. last year.

Despite contentious litigation with The LTV Corp. over responsibility for the funding of some of LTV's pension liabilities, the big terminations stopped coming.

Thus, the agency kept its deficit at less than $2 billion — although that figure would more than double if a federal court forces the PBGC to take back the three troubled LTV funds, which the agency has tried to return to the Dallas-based steel and aerospace manufacturer.

Aided by a 1987 law that raised premiums paid to the agency by employers with single-employer defined benefit plans, the PBGC now can claim a positive cash flow. The situation is better "because our premium flow is better than our benefit payments," said Kathleen Utgoff, PBGC executive director.

Projections for amortizing the deficit can be upset easily. More big claims could come in, or high inflation could drive up the agency's maximum benefit guarantees, thus increasing liabilities.

Ms. Utgoff, however, is hopeful that pension reforms — including tougher funding rules that she helped drive through Congress — have alleviated those problems.

In terms of the management of the agency's $2.5 billion in assets, few changes were made in the 12 months ended Sept. 30.

Lou Faircloth was named manager-investment management division in October 1988, succeeding Julie Shriver who had left 10 months previously to become an investment officer for the International Monetary Fund staff retirement fund. The PBGC expects to hire another investment professional by early spring.

The agency's equity management farm team, now in place for two years, remained the same: Disciplined Investment Advisors Inc., Evanston, Ill.; Furman Selz Capital Management Inc., New York; Loomis, Sayles & Co. Inc., Pasadena, Calif.; and Nelson, Benson & Zellmer Inc., Denver.

The agency's other equity managers are: American National Bank & Trust Co., Chicago; Chase Investors Management Corp., New York; Dimensional Fund Advisors, Santa Monica, Calif.; Lazard Freres Asset Management, New York; Lehman Management Co., New York; McCowan Associates Inc., New York; State Street Bank and Trust Co., Boston; and United Capital Management, Denver.

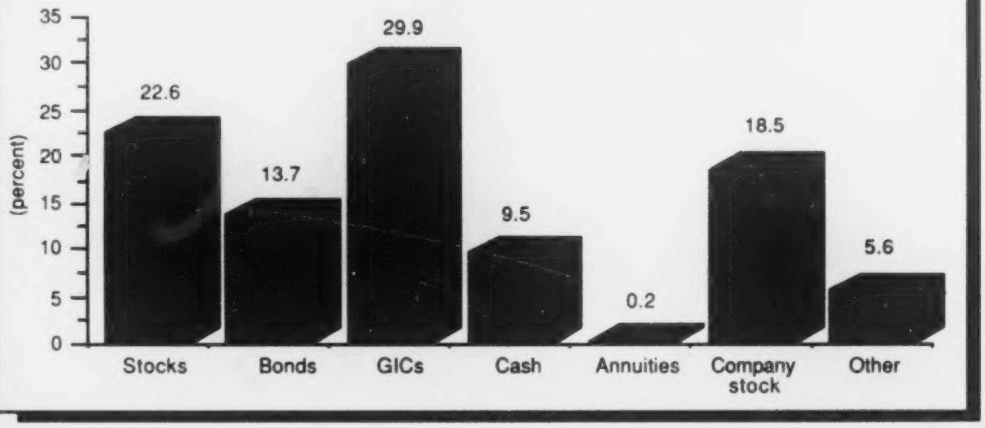
Bond managers are Morgan Stanley Asset Management, New York, and Pacific Investment Management Co., Newport Beach, Calif.

Mellon Bond Associates, Pittsburgh, was dropped as an investment manager.

State Street Bank is master custodian; Manufacturers Hanover Trust Co., New York, is master custodian of the farm team's assets.

For the embattled LTV pension assets, valued at about $1 billion, managers are Scudder, Stevens & Clark, New York, for fixed income; and Karsten Realty Advisors, Los Angeles, for real estate. Mellon Bank, Pittsburgh, is the custodian for the LTV assets. ■

Top 200 average defined contribution asset mix



Bottom 800 defined benefit asset mix

Aggregate

	1988	1987
Stocks	41.7 %	44.4%
Bonds	31.5	29.8
Cash	11.3	10.4
Real estate equity	4.1	3
Mortgages	0.8	1.3
Mortgage-backed securities	1.3	2.1
GICs	4.9	3.5
International	2.1	2.4
Annuities	0.6	1.2
Venture capital	0.4	0.5
Oil & gas	0.04	0
LBOs	0.03	0
Private placements	0.1	0.3
Other	1.13	1.1

Corporate

	1988	1987
Stocks	46.3 %	50.8%
Bonds	26.1	23.2
Cash	11.4	10.4
Real estate equity	4.1	3.1
Mortgages	0.3	0.4
Mortgage-backed securities	0.5	0.8
GICs	5.8	4.9
International	2.9	3.1
Annuities	0.8	1.6
Venture capital	0.6	0.6
Oil & gas	0.06	0.1
LBOs	0.05	0
Private placements	0.1	0
Other	0.99	0.7

Public

	1988	1987
Stocks	36.5 %	48.2%
Bonds	41.9	26.3
Cash	10.7	10.5
Real estate equity	4	3
Mortgages	0.9	0.9
Mortgage-backed securities	2.5	1.3
GICs	0.9	4
International	1	2.9
Annuities	0.3	1.3
Venture capital	0.2	0.6
Oil & gas	0.01	0
LBOs	0	0
Private placements	0.01	0.3
Other	1.08	0.7

Union

	1988	1987
Stocks	29.9 %	31 %
Bonds	36.7	39.2
Cash	12	9.5
Real estate equity	4.7	3.5
Mortgages	2.6	2.2
Mortgage-backed securities	3.1	4.8
GICs	8.1	3.7
International	0.3	0.4
Annuities	0.06	1.5
Venture capital	0.1	0.1
Oil & gas	0.02	0
LBOs	0	0
Private placements	0.2	0.5
Other	2.22	3.6

How information was gathered

The information on employee benefit funds contained in this issue was compiled in several steps.

Questionnaires were sent to more than 1,500 funds in *Pensions & Investment Age*'s data base. The largest 200 and largest 1,000 were identified from the completed questionnaires, follow-up telephone calls and a cross-check with information supplied by Money Market Directories Inc., Charlottesville, Va., publisher of the 1989 Money Market Directory of Pension Funds and Their Investment Managers.

The more detailed information contained in the profiles of the Top 200 employee benefit funds was obtained from the completed questionnaires and from interviews with fund officials by the editorial staff of *P&I Age*.

Where no information was available from the fund, statistics were taken from the 1989 Money Market Directory.

Unless otherwise noted, the data reflect fund operations as of Sept. 30, 1988.

In cases where the fund supplied information considered too dated, *P&I Age* estimated the asset growth based on one of the following methods: the asset mix the fund supplied for the previous year's survey; the asset mix reported in the 1989 Money Market Directory; or *P&I Age*'s reported average asset mix for that particular type of fund, i.e., union, corporate or public.

In the tables accompanying the profiles, all figures except for defined contribution plans are based on defined benefit assets. Dollar amounts in all charts were rounded to the nearest million.

The asset mixes for the Top 200 and Bottom 800 funds represent the average of all reported defined benefit mixes for the respective funds. The separate asset mixes for the components of the Top 200 and Bottom 800 universes — corporate, public and union funds — were compiled in the same manner.

For the first time this year, Top 200 fund sponsors were surveyed on the asset mix of their defined contribution plans.

This is the 10th consecutive year *P&I Age* has ranked the nations 1,000 largest employee benefit funds and the eighth year separate listings have appeared for the Top 200. ■

Top 200 defined benefit asset mix

Corporate

	1988	1987
Stocks	48.6%	54.5%
Bonds	29.8	23.9
Cash	9	8.2
Real estate equity	5.1	4.2
Mortgages	0.3	0.6
Mortgage-backed securities	1.6	0.9
GICs	2.4	3.6
Annuities	1.2	1.7
Other*	2	2.4

Public

	1988	1987
Stocks	35.2%	39 %
Bonds	41.4	40.3
Cash	9.7	8.2
Real estate equity	3.4	2.5
Mortgages	2.4	2.2
Mortgage-backed securities	6.2	6.6
GICs	0.5	0.4
Annuities	0	0
Other*	1.2	0.8

Union

	1988	1987
Stocks	34.6%	38 %
Bonds	45.4	39
Cash	8.8	10.1
Real estate equity	3.4	3.9
Mortgages	2.1	1.7
Mortgage-backed securities	1	1.7
GICs	2.2	1.8
Annuities	2	2.4
Other*	0.5	1.4

*Other includes venture capital, oil and gas and miscellaneous investments

Top 200 pension funds/sponsors

Assets in $ millions

1.	TIAA-CREF	67,141
2.	California Public Employees	45,940
3.	New York State & Local	37,918
4.	General Motors	37,600
5.	New York City Systems	35,537
6.	AT&T	35,143
7.	General Electric	25,300
8.	California State Teachers	24,721
9.	New York State Teachers	22,779
10.	IBM	21,761
11.	N.J. Division of Investment	20,092
12.	Ford Motor	19,650
13.	Texas Teachers	19,439
14.	E.I. du Pont de Nemours	16,489
15.	Wisconsin Investment Board	16,419
16.	Ohio Public Employees	16,408
17.	State of Michigan	15,798
18.	Ohio State Teachers	15,348
19.	Florida State Board	14,411
20.	North Carolina Systems	13,800
21.	NYNEX	13,401
22.	Pennsylvania Public Schools	12,999
23.	Ameritech	12,100
24.	Washington State Board	10,867
25.	Bell Atlantic	10,816
26.	GTE	10,596
27.	BellSouth	10,505
28.	Minnesota State Board	10,207
29.	University of California	10,123
30.	Pacific Telesis	9,639
31.	USX	8,860
32.	Oregon Public Employes	8,800
33.	Los Angeles County	8,744
34.	Maryland State Retirement	8,717
35.	Rockwell International	8,583
36.	Boeing	8,476
37.	Teamsters, Central States	8,469
38.	U S WEST	8,133
39.	Virginia Supplemental	8,041
40.	Teamsters, Western Conference	8,000
41.	Pennsylvania State Employes	7,967
42.	Eastman Kodak	7,825
43.	Exxon	7,609
44.	Colorado Public Employees	7,591
45.	Georgia Teachers Retirement	7,525
46.	Sears, Roebuck	7,176
47.	United Nations Joint Staff	7,146
48.	Lockheed	7,113
49.	Illinois Teachers	7,043
50.	Alabama Retirement Systems	7,000
51.	United Technologies	7,000
52.	Southwestern Bell	6,961
53.	Shell Oil	6,686
54.	Tennessee Consolidated	6,643
55.	Allied-Signal	6,609
56.	McDonnell Douglas	6,462
57.	Arizona State Retirement	6,429
58.	Connecticut Trust Funds	6,236
59.	South Carolina Retirement	6,009
60.	Chevron	5,460
61.	Prudential Insurance	5,276
62.	Hughes Aircraft	5,136
63.	Texas Employees	5,108
64.	General Dynamics	5,000
65.	Westinghouse Electric	4,800
66.	UMWA	4,700
67.	Missouri Public School	4,500
68.	Philip Morris	4,500
69.	Chrysler	4,414
70.	Unisys	4,281
71.	Caterpillar	4,138
72.	Amoco	4,014
73.	Mass. Teachers & Employees	4,000
74.	Monsanto	3,990
75.	Mobil Oil	3,880
76.	Iowa Public Employees	3,800
77.	Illinois Municipal Retirement	3,591
78.	Hawaii State Employees	3,495
79.	Alaska Retirement Systems	3,476
80.	RJR Nabisco	3,387
81.	Mississippi Public Employees	3,336
82.	San Francisco Employees	3,322
83.	UAL	3,300
84.	Pacific Gas & Electric	3,299
85.	Delta Air Lines	3,296
86.	Detroit Retirement Systems	3,291
87.	Utah State Retirement	3,205
88.	Kansas Public Employees	3,175
89.	Metropolitan Life	3,120
90.	Procter & Gamble	3,102
91.	American Airlines	3,100
92.	Illinois State Universities	3,080
93.	Nat'l Electrical Contractors/IBEW	3,045
94.	Chicago Teachers	2,981
95.	Northrop	2,979
96.	Atlantic Richfield	2,977
97.	Georgia Employees	2,945
98.	Indiana Public Employees	2,927
99.	Dow Chemical	2,924
100.	United Methodist Church	2,903
101.	Aluminum Co. of America	2,892
102.	Kentucky Teachers	2,840
103.	Louisiana Teachers	2,833
104.	Martin Marietta	2,829
105.	Grumman	2,810
106.	Textron	2,792
107.	Los Angeles Fire & Police	2,774
108.	Texaco	2,772
109.	Xerox	2,724
110.	Bethlehem Steel	2,722
111.	Minnesota Mining & Mfg.	2,703
112.	Illinois Board of Investment	2,700
113.	World Bank	2,687
114.	Nevada Public Employees	2,682
115.	J.C. Penney	2,663
116.	Ohio Police & Firemen	2,614
117.	ITT	2,611
118.	State Farm Insurance	2,601
119.	Southern Co. Services	2,600
120.	Consolidated Edison	2,549
121.	Tenneco	2,542
122.	Honeywell	2,539
123.	Kentucky Retirement	2,500
124.	Tennessee Valley Authority	2,500
125.	Raytheon	2,430
126.	Ohio School Employees	2,418
127.	Massachusetts PRIM	2,364
128.	Deere	2,300
129.	Owens-Illinois	2,286
130.	Federal Retirement Thrift Board	2,271
131.	International Paper	2,252
132.	Aetna Life & Casualty	2,242
133.	Southern Baptist Convention	2,223
134.	Los Angeles City	2,193
135.	Boilermaker Blacksmith	2,128
136.	Southern California Edison	2,104
137.	Trans World Airlines	2,104
138.	TRW	2,054
139.	Eastern Air Lines	2,041
140.	Louisiana State Retirement	2,001
141.	Presbyterian Church (USA)	2,000
142.	Sun	1,987
143.	National Rural Electric Cooperative	1,982
144.	Halliburton	1,965
145.	Rhode Island Retirement	1,911
146.	Armco	1,889
147.	Hospital & Healthcare Workers	1,888
148.	BP America	1,883
149.	Eli Lilly	1,867
150.	Commonwealth Edison	1,861
151.	Bakery & Confectionery Union	1,849
152.	International Operating Engineers	1,832
153.	Travelers Insurance	1,830
154.	Arkansas Teachers	1,827
155.	Federated Department Stores	1,810
156.	FPL Group	1,803
157.	Oklahoma Teachers	1,800
158.	Texas Municipal Retirement	1,800
159.	Texas County & District	1,789
160.	Navistar	1,785
161.	New Mexico Educational Board	1,750
162.	Goodyear Tire & Rubber	1,728
163.	Union Carbide	1,711
164.	Inland Steel Industries	1,700
165.	Phillips Petroleum	1,700
166.	GenCorp	1,683
167.	PPG Industries	1,677
168.	Plumbers, National Headquarters	1,658
169.	Southern New England Telephone	1,625
170.	American Stores	1,623
171.	Motorola	1,618
172.	Kraft	1,608
173.	Hewlett-Packard	1,606
174.	Chicago Municipal Employees	1,600
175.	Hercules	1,589
176.	Philadelphia Municipal	1,578
177.	American Electric Power	1,561
178.	Abbott Laboratories	1,530
179.	New Mexico Public Employees	1,513
180.	K mart	1,509
181.	Los Angeles Water & Power	1,504
182.	Indiana State Teachers	1,500
183.	New York Life	1,500
184.	Episcopal Church Pension	1,470
185.	Southern California UFCW	1,464
186.	Houston Retirement System	1,458
187.	CIGNA	1,454
188.	Maine State Retirement	1,452
189.	United Parcel Service	1,443
190.	IAM National Pension Fund	1,438
191.	Evangelical Lutheran Church	1,420
192.	Bechtel Power	1,417
193.	Sheet Metal Workers	1,408
194.	Digital Equipment	1,398
195.	Milwaukee City Employes	1,397
196.	Army & Air Force Exchange	1,386
197.	Texas Instruments	1,379
198.	State of Delaware	1,369
199.	Baltimore City	1,343
200.	NCR	1,343
	Total	**1,202,411**

Ranking of funds/sponsors 201 - 1,000

Assets in $ millions

Rank	Fund/sponsor	Location	Assets
201	American Brands	Old Grnwich, Conn	1,342
202	Idaho Public Employees	Boise	1,335
203	West Virginia Board	Charleston	1,325
204	Kaiser Permanente	Oakland, Calif	1,323
205	Montana Combined	Helena	1,319
206	Okla Public Employees	Oklahoma City	1,318
207	Teledyne	Los Angeles	1,310
208	Johnson & Johnson	New Brunswick, N J	1,300
209	North American Philips	New York	1,283
210	N Calif Retail Clerks	Walnut Creek	1,281
211	Chicago Police	Chicago	1,278
212	New England Teamsters	Boston	1,265
213	Pan Am World Airways	New York	1,240
214	American Bar Assoc	Chicago	1,234
215	American Cyanamid	Wayne, N J	1,232
216	Unocal	Los Angeles	1,232
217	Nat'l Auto Dealers	McLean, Va	1,222
218	John Hancock	Boston	1,221
219	Merck	Rahway, N J	1,219
220	Pacific Enterprises	Los Angeles	1,215
221	BATUS	Louisville, Ky	1,212
222	S Dakota Retirement	Pierre	1,207
223	Wyoming Retirement	Cheyenne	1,206
224	Arizona Public Safety	Phoenix	1,200
225	Arkansas Public	Little Rock	1,200
226	Michigan Municipal	Lansing	1,200
227	Warner Lambert	Morris Plains, N J	1,200
228	Champion Int'l	Stamford, Conn	1,186
229	Financial Institutions	New York	1,181
230	James River	Richmond, Va	1,174
231	Emerson Electric	St Louis	1,173
232	Philadelphia Electric	Philadelphia	1,170
233	Ethyl	Richmond, Va	1,165
234	Op Eng 12	Pasadena, Calif	1,162
235	Cook County	Chicago	1,155
236	Northwest Airlines	St Paul, Minn	1,153
237	N Calif Carpenters	Oakland	1,152
238	Burlington Northern	Seattle	1,150
239	United Telecom	Kansas City, Mo	1,146
240	Sandia Nat'l Labs	Albuquerque, N M	1,145
241	District of Columbia	Washington	1,144
242	Litton Industries	Beverly Hills, Calif	1,138
243	Nat'l Intergroup	Pittsburgh	1,137
244	Mo State Employees	Jefferson City	1,130
245	Op Eng 302/612	Seattle	1,128
246	Orange County	Santa Ana, Calif	1,127
247	Ladies Garment Wrkrs	New York	1,126
248	Dun & Bradstreet	New York	1,123
249	Hallmark Cards	Kansas City, Mo	1,123
250	LTV	Dallas	1,121
251	Upjohn	Kalamazoo, Mich	1,113
252	ICMA Retirement	Washington	1,107
253	Duke Power	Charlotte, N C	1,106
254	Cooper Industries	Houston	1,100
255	Kiewit Continental	Norwalk, Conn	1,100
256	Kimberly-Clark	Dallas	1,100
257	McDermott	New Orleans	1,100
258	Pfizer	New York	1,100
259	Santa Fe	Chicago	1,100
260	Colgate-Palmolive	New York	1,086
261	Texas Utilities	Dallas	1,084
262	Int'l Monetary Fund	Washington	1,079
263	Anheuser-Busch	St. Louis	1,065
264	Rohm & Haas	Philadelphia	1,060
265	Westvaco	New York	1,051
266	Bristol-Myers	New York	1,044
267	SmithKline Beckman	Philadelphia	1,030
268	Niagara Mohawk Power	Syracuse, N.Y.	1,029
269	N.H. Retirement	Concord	1,027
270	MEBA	Baltimore	1,025
271.	Nebraska State	Lincoln	1,020
272.	General Public Utilities	Parsippany, N.J.	1,013
273.	Joint Industry/IBEW 3	Flushing, N.Y.	1,009
274.	American Standard	New York	1,008
275.	Citicorp	New York	1,006
276.	Times Mirror	Los Angeles	1,000
277.	Corning Glass Works	Corning, N.Y.	991
278.	Montgomery Ward	Chicago	987
279.	Deseret Mutual	Salt Lake City	986
280.	FMC	Chicago	985
281.	S. Calif. Carpenters	Los Angeles	981
282.	Manufacturers Hanover	New York	974
283.	CBS	New York	967
284.	Eaton	Eden Prairie, Minn.	960
285.	Scott Paper	Philadelphia	960
286.	Public Service & Electric	Newark, N.J.	956
287.	Cummins Engine	Columbus, Ohio	955
288.	CIBA-GEIGY	Ardsley, N.Y.	947
289.	W.R. Grace	New York	947
290.	Union Pacific	New York	946
291.	Carpenters, Dist. Coun.	New York	945
292.	Whirlpool	Benton Harbor, Mich.	945
293.	Carteret Publishing	Morehead City, N.C.	940
294.	Ralston Purina	St. Louis	939
295.	Ashland Oil	Ashland, Ky.	937
296.	Columbia Gas System	Wilmington, Del.	928
297.	Safeway Stores	Oakland, Calif.	925
298.	Armstrong World	Lancaster, Pa.	923
299.	Boise Cascade	Boise, Idaho	922
300.	Schlumberger	New York	922
301.	Olin	Stamford, Conn	912
302.	Triangle Industries	W. Palm Beach, Cal.	908
303.	San Diego County	San Diego	905
304.	Middle South Utilities	New Orleans	900
305.	Georgia-Pacific	Atlanta	898
306.	Detroit Edison	Detroit	888
307.	Mass. Institute of Tech.	Cambridge	888
308.	Hoffmann-LaRoche	Nutley, N.J.	886
309.	BASF	Parsippany, N.J.	882
310.	PepsiCo	Purchase, N.Y.	880
311.	Northeast Utilities	Berlin, Conn	875
312.	YMCA	New York	870
313.	General Mills	Minneapolis	862
314.	Occidental Petroleum	Los Angeles	853
315.	R.R. Donnelley	Chicago	850
316.	Chicago Transit	Chicago	834
317.	Aramco Services	Houston	825
318.	Dana	Toledo, Ohio	820
319.	Electro Rent	Culver City, Calif.	820
320.	Contel	Atlanta	815
321.	Manville	Denver	815
322.	Northern States Power	Minneapolis	809
323.	Consol. Natural Gas	Pittsburgh	808
324.	Laborers Nat'l Pension	Dallas	800
325.	U.S. Air	Washington	800
326.	CSX	Richmond, Va.	799
327.	Marsh & McLennan	New York	798
328.	Consumers Power	Jackson, Mich.	794
329.	Motion Picture Industry	Studio City, Calif.	793
330.	Weyerhaeuser	Tacoma, Wash.	790
331.	Ingersoll-Rand	Woodcliff Lake, N.J.	789
332.	Norfolk Southern	Norfolk, Va.	789
333.	Quaker Oats	Chicago	787
334.	Reynolds Metals	Richmond, Va.	786
335.	Hanson Industries	Iselin, N.J.	785
336.	United Church Board	New York	780
337.	Consolidated Rail	Philadelphia	779
338.	Combustion Engineering	Stamford, Conn	775
339.	Kellogg	Battle Creek, Mich.	771
340.	May Department Stores	St. Louis	770
341.	City of Cincinnati	Cincinnati	756
342.	Lutheran Church-Mo.	St. Louis	755
343.	Continental Resources	Bedford, Mass.	751
344.	Minneapolis Employees	Minneapolis	751
345.	Coca-Cola	Atlanta	750
346.	Fluor	Irvine, Calif.	750
347.	Singer	Stamford, Conn.	748
348.	Colt Industries	New York	747
349.	Baxter Int'l	Deerfield, Ill.	746
350.	Amer. Nat'l Red Cross	Alexandria, Va.	740
351.	Centerior	Cleveland	740
352.	Alameda County	Oakland, Calif.	739
353.	Sara Lee	Chicago	738
354.	Cincinnati Bell	Cincinnati	736
355.	Pillsbury	Minneapolis	735
356.	Painters Int'l	Washington	734
357.	Jeff.-Smurfit/Container	St. Louis	730
358.	San Diego City	San Diego	728
359.	Retail 1199	New York	726
360.	Denver Public Schools	Denver	725
361.	Polaroid	Cambridge, Mass.	725
362.	Michigan Civil Service	Lansing	715
363.	Southland	Dallas	715
364.	Liberty Mutual	Boston	711
365.	Winn Dixie Stores	Jacksonville, Fla.	711
366.	Bayer USA	Pittsburgh	710
367.	San Jose City	San Jose, Calif.	710
368.	S. Bernardino County	San Bernardino, Cal.	706
369.	Central & Southwest	Dallas	700
370.	N. J. Hospital Assoc.	Princeton	700
371.	Budd	Troy, Mich.	697
372.	Amax	Greenwich, Conn.	694
373.	Control Data	Minneapolis	694
374.	Mass. Bay Transport.	Boston	693
375.	Pennsylvania P&L	Allentown	692
376.	Blue Cross/Blue Shield	Chicago	690
377.	Nat'l Automatic Sprinkler	Landover, Md.	688
378.	Borden	Columbus, Ohio	687
379.	Morton Thiokol	Chicago	686
380.	Boston City	Boston	671
381.	Milwaukee County	Milwaukee	667
382.	Goldman, Sachs	New York	666
383.	Capital Cities/ABC	New York	665
384.	Teamsters, Central Pa.	Reading	663
385.	Hoechst Celanese	Somerville, N.J.	662
386.	Arthur Andersen	Chicago	661
387.	Contra Costa County	Martinez, Calif.	659
388.	Baltimore G&E	Baltimore	654
389.	Dallas Employees	Dallas	654
390.	Bell Comm. Research	Livingston, N.J.	652
391.	Owens-Corning	Toledo, Ohio	650
392.	Dominion Resources	Richmond, Va.	649
393.	Parsons	Pasadena, Calif.	648
394.	Time	New York	645
395.	ICI Americas	Wilmington, Del.	644
396.	Mars	McLean, Va.	641
397.	Op. Eng. 3	San Francisco	640
398.	Reliance Electric	Cleveland	639
399.	Farmland Industries	Kansas City, Mo.	638
400.	Borg-Warner	Chicago	637
401.	Mead	Dayton, Ohio	633
402.	E-Systems	Dallas	631
403.	Harris	Melbourne, Fla.	629
404.	Op. Eng. 39	San Francisco	628
405.	Wayne County	Detroit	624
406.	Fairfax County	Fairfax, Va.	623
407.	Baltimore County	Baltimore	618
408.	Graphic Comm. Int'l	Washington	618
409.	Dayton Hudson	Minneapolis	617
410.	Campbell Soup	Camden, N.J.	616
411.	Squibb	Princeton, N.J.	616
412.	Burlington Industries	Greensboro, N.C.	615
413.	Peoples Energy	Chicago	614
414.	Gillette	Boston	609
415.	Food/Comm. Nat'l	Washington	604
416.	Sacramento County	Sacramento, Calif.	602
417.	General Signal	Stamford, Conn.	600
418.	White Consolidated	Cleveland	600
419.	Longshoremen, ILA	New York	599
420.	Marriott	Washington	597
421.	Op. Eng., Midwest	Countryside, Ill.	596
422.	Washington Post	Washington	592
423.	Ohio Edison	Akron	591
424.	Svc. Empl. 32B/32J	New York	586
425.	RSSI	New York	585
426.	Navy Resale System	Staten Island, N.Y.	580
427.	Sundstrand	Rockford, Ill.	579
428.	Household Int'l	Prospect Heights, Ill.	576
429.	Op. Eng., Ohio	Columbus	576
430.	Schering-Plough	Madison, N.J.	576
431.	Coastal	Houston	575
432.	Gannett	Arlington, Va.	575
433.	Carpenters, Cleveland	Cleveland	572
434.	Laborers & Retirement	Chicago	571
435.	Ameritrust	Cleveland	570
436.	Louisiana School	Baton Rouge	570
437.	Montgomery County	Rockville, Md.	570
438.	Vermont State	Montpelier	570
439.	Lear Siegler	Livingston, N.J.	569
440.	Mitre	Bedford, Mass.	569
441.	Varian Associates	Palo Alto, Calif.	564
442.	Enron	Houston	560
443.	Kaiser Aluminum	Oakland, Calif.	559
444.	AMP	Harrisburg, Pa.	558
445.	Battelle Memorial	Columbus, Ohio	558
446.	Elec. Eng. Int'l HQ	Washington	553
447.	Jacksonville City	Jacksonville, Fla.	551
448.	Brunswick	Skokie, Ill.	548
449.	Food/Comm. 27	Baltimore	548
450.	Lumber Production	Portland, Ore.	548
451.	De Luxe Check	St. Paul, Minn.	547
452.	Colorado Fire & Police	Englewood, Colo.	545
453.	Mayo Foundation	Rochester, Minn.	545
454.	Iron Workers, Calif.	San Marino	544
455.	Mo. Local Gov't	Jefferson City	543
456.	Screen Actors/Prod.	Burbank, Calif.	540
457.	Teamsters 705	Chicago	540
458.	Typographical Union	Colo. Springs, Colo.	540
459.	UFCW Atlanta	Atlanta	539
460.	Aerospace	El Segundo, Calif.	537
461.	Teamsters 710	Chicago	536
462.	Johnson Controls	Milwaukee	535
463.	Amer. Fed./Musicians	New York	534
464.	Allegheny Power	New York	525
465.	Kroger	Cincinnati	525
466.	Tektronix	Beaverton, Ore.	525
467.	Panhandle Eastern	Houston	524
468.	Wickes	Santa Monica, Calif.	524
469.	CPC Int'l	Englewd. Cl., N.J.	523
470.	Union Camp	Wayne, N.J.	523
471.	Emhart	Farmington, Conn.	520
472.	Hospital Corp./America	Nashville, Tenn.	520
473.	Union Electric	St. Louis	520

Ranking of funds/sponsors 201 - 1,000

Assets in $ millions

Rank	Fund/sponsor	Location	Assets
474.	New England Electric	Westborough, Mass.	516
475.	Printing Pressman	El Monte, Calif.	514
476.	Laborers' Int'l HQ	Washington	512
477.	Wisconsin Electric	Milwaukee	511
478.	Longshore/ILWU-PMA	San Francisco	510
479.	San Diego G&E	San Diego	510
480.	Graphic Arts, 458	Chicago	507
481.	Mich. Consolidated Gas	Detroit	507
482.	B.F. Goodrich	Akron, Ohio	506
483.	Norton	Worcester, Mass.	505
484.	Laborers, S. Cal. Const.	Los Angeles	503
485.	Laborers, Chicago	Chicago	502
486.	Milliken	Spartanburg, S.C.	502
487.	Federal Express	Memphis, Tenn.	500
488.	Timken	Canton, Ohio	500
489.	Uniroyal Goodrich	Akron, Ohio	500
490.	New York State E&G	Ithaca	497
491.	Stone & Webster	New York	497
492.	Florida Progress	St. Petersburg	493
493.	Baker Hughes	Houston	488
494.	Arthur D. Little	Cambridge, Mass.	487
495.	GCIU Inter-Local	Chicago	484
496.	Maytag	Newton, Iowa	484
497.	McKesson	San Francisco	484
498.	Koppers	Pittsburgh	482
499.	Minnesota Nurses	St. Paul	482
500.	Premark	Deerfield, Ill.	481
501.	Laborers, Const. & Gen.	Forest Park, Ill.	480
502.	Amstar	Stamford, Conn.	479
503.	Major League Players	New York	479
504.	USG	Chicago	478
505.	Carolina P&L	Raleigh, N.C.	475
506.	Paper Industry Int'l	Nashville, Tenn.	474
507.	Carpenters, Chicago	Chicago	472
508.	McGraw-Hill	New York	471
509.	H.J. Heinz	Pittsburgh	468
510.	IC Industries	Chicago	466
511.	F.W. Woolworth	New York	465
512.	Peat Marwick Main	Montvale, N.J.	465
513.	Steelcase	Grand Rapids, Mich.	465
514.	Firestone Tire	Chicago	463
515.	Walgreen	Deerfield, Ill.	462
516.	Chicago Firemen	Chicago	461
517.	Quantum Chemical	New York	458
518.	Cincinnati G&E	Cincinnati	456
519.	Air Products	Allentown, Pa.	454
520.	Teamsters, Alaska	Anchorage	452
521.	Food/Comm. Nat'l	Chicago	451
522.	Carpenter Technology	Reading, Pa.	450
523.	Seattle City	Seattle	450
524.	Op. Eng. 324	Birmingham, Mich.	449
525.	Inter-Amer. Devel. Bank	Washington	448
526.	Teamster Affiliates	Washington	448
527.	Houston Industries	Houston	445
528.	Seagram & Sons	New York	445
529.	Sherwin-Williams	Cleveland	445
530.	Avon Products	New York	444
531.	Atlanta General Empl.	Atlanta	443
532.	Cleveland-Cliffs	Cleveland	442
533.	Marine Eng., Dist. 2	Brooklyn, N.Y.	441
534.	Tribune	Chicago	440
535.	Mercantile Stores	New York	439
536.	Northern Illinois Gas	Aurora	439
537.	Long Island Lighting	Hicksville, N.Y.	437
538.	R.H. Macy	New York	437
539.	Briggs & Stratton	Milwaukee	435
540.	Pennwalt	Philadelphia	435
541.	V F	Reading, Pa.	434
542.	Dallas Police & Fire	Dallas	433
543.	Pitney Bowes	Stamford, Conn.	433
544.	Cargill	Minneapolis	430
545.	San Mateo County	Redwood City, Calif.	430
546.	Sandoz	New York	430
547.	S. Calif. Electrical	Los Angeles	427
548.	Teamsters, N.Y. State	Utica	426
549.	Phelps Dodge	Phoenix, Ariz.	424
550.	Teamsters 282	Elmont, Calif.	424
551.	Amer. Home Products	New York	423
552.	A.O. Smith	Milwaukee	423
553.	Food/Comm., Butchers	Oakland, Calif.	423
554.	Texas Eastern	Houston	423
555.	Fresno County	Fresno, Calif.	422
556.	Teamsters, West. Pa.	Pittsburgh	421
557.	Becton Dickinson	Franklin Lakes, N.J.	419
558.	Primerica	Greenwich, Conn.	417
559.	Gulf & Western	New York	412
560.	Roadway Services	Akron, Ohio	412
561.	Seafarers	Camp Springs, Md.	410
562.	S. Calif. Rapid Transit	Los Angeles	410
563.	Johnson & Higgins	New York	409
564.	Northern Telecom	Nashville, Tenn.	409
565.	Endata	Nashville, Tenn.	407
566.	Amalg. Clothing/Textile	New York	406
567.	Fort Worth Employees	Fort Worth, Texas	405
568.	Lever Brothers	New York	405
569.	Arizona Public Service	Phoenix	401
570.	TV & Radio Artists	New York	400
571.	Beatrice	Chicago	400
572.	Henley Group	La Jolla, Calif.	400
573.	J.P. Stevens	Greenville, S.C.	400
574.	Minneapolis Teachers	Minneapolis	400
575.	Westinghouse Handford	Richland, Wash.	400
576.	Andersen	Bayport, Minn.	398
577.	Piedmont Aviation	Winston-Salem, N.C.	398
578.	Perkin-Elmer	Norwalk, Conn.	397
579.	Centel	Chicago	395
580.	Mo. Highway Empl.	Jefferson City	395
581.	Cincinnati Milacron	Cincinnati	393
582.	Hawaiian Electric	Honolulu	393
583.	Illinois Tool Works	Chicago	391
584.	Clark Equipment	South Bend, Ind.	390
585.	Directors Guild	Los Angeles	390
586.	McKinsey	New York	390
587.	Springs Industries	Fort Mill, S.C.	390
588.	Boston Edison	Boston	389
589.	Sheet Metal 108	Los Angeles	388
590.	Belk/Leggett Stores	Charlotte, N.C.	387
591.	San Joaquin County	Stockton, Calif.	386
592.	Carpenters, Detroit	Ferndale, Mich.	385
593.	Rohr Industries	Chula Vista, Calif.	385
594.	Wash. Area Transit	Washington	385
595.	Denver Employees	Denver	384
596.	Alexander & Alexander	Baltimore	381
597.	Dresser Industries	Dallas	380
598.	Principal Mutual Life	Des Moines, Iowa	379
599.	S. Calif. Plumbing	Los Angeles	378
600.	Food/Comm. L.A.	Los Angeles	375
601.	Ventura County	Ventura, Calif.	375
602.	IBEW 134	Chicago	373
603.	Anchor Hocking	Lancaster, Pa.	369
604.	George A. Hormel	Austin, Minn.	369
605.	Hershey Foods	Hershey, Pa.	365
606.	UFCW, Midwest	Chicago	365
607.	Flint City	Flint, Mich.	364
608.	Philadelphia Carpenters	Philadelphia	364
609.	Brooklyn Union Gas	Brooklyn, N.Y.	363
610.	Ernst & Whinney	Cleveland	363
611.	Automotive Industries	Oakland, Calif.	361
612.	Building Trades United	Milwaukee	361
613.	Delmarva P&L	Wilmington, Del.	361
614.	Austin Employees	Austin, Texas	360
615.	Nalco Chemical	Naperville, Ill.	360
616.	EG&G	Wellesley, Mass.	359
617.	Phoenix City	Phoenix, Ariz.	358
618.	McDonald's	Oak Brook, Ill.	357
619.	N. Ind. Public Service	Hammond	357
620.	Colo. Public Service	Denver	356
621.	Hartford City	Hartford, Conn.	355
622.	Int'l Minerals & Chem.	Mundelein, Ill.	355
623.	Memphis Local Gov't	Memphis, Tenn.	355
624.	Nat'l Telephone Co-op.	Washington	355
625.	Harris Pump & Supply	Pittsburgh	354
626.	Food/Comm. 876	Madison Hgts., Mich.	352
627.	N. Dakota Teachers	Bismarck	352
628.	Boy Scouts	Irving, Texas	351
629.	Baton Rouge Empl.	Baton Rouge, La.	350
630.	Kerr-McGee	Oklahoma City	350
631.	Memphis Light, Gas	Memphis, Tenn.	350
632.	Electrical Contractors	Anchorage	349
633.	Hotel/Restaurant 165	Las Vegas, Nev.	349
634.	Boc Group	Montvale, N.J.	347
635.	Kern County	Bakersfield, Calif.	345
636.	Oklahoma Firefighters	Oklahoma City	345
637.	Bank of New York	New York	343
638.	Nat'l Industrial Group	Florham Park, N.J.	343
639.	Teamsters, Philadelphia	Philadelphia	342
640.	Savings Bank Empl.	Woburn, Mass.	340
641.	Trinova	Maumee, Ohio	340
642.	Reader's Digest	Pleasantville, N.Y.	339
643.	Hearst	New York	335
644.	Building Service	San Francisco	334
645.	Gates Rubber	Denver	334
646.	Plumbers/Pipefitters 597	Chicago	334
647.	Western Union	Up. Sad. Riv., N.J.	334
648.	Bricklayers & Trowel	Washington	333
649.	Lincoln Nat'l	Fort Wayne	333
650.	TPF&C	Philadelphia	333
651.	Zenith Electronics	Chicago	332
652.	Gerber Products	Fremont, Calif.	330
653.	Chicago Sanitary Dist.	Chicago	329
654.	Lowe's Cos.	N. Wilkesboro, N.C.	329
655.	Rochester G&E	Rochester, N.Y.	327
656.	Knight-Ridder	Miami	325
657.	Sonat	Birmingham, Ala.	325
658.	S.C. Johnson	Racine, Wis.	325
659.	TBG	New York	325
660.	Agway	Syracuse, N.Y.	324
661.	Sterling Drug	New York	324
662.	Nat'l Football League	New York	323
663.	Op. Eng. 15	New York	323
664.	Potomac Electric	Washington	323
665.	Laborers, Ohio	Columbus	322
666.	Nat'l Maritime Union	New York	322
667.	Vulcan Materials	Birmingham, Ala.	321
668.	Burroughs Wellcome	Res. Tri. Park, N.C.	320
669.	Washington Gas Light	Washington	320
670.	Upholsterers, Int'l	Philadelphia	319
671.	Equifax	Atlanta	318
672.	Salt River Project	Phoenix, Ariz.	318
673.	Maritime Assoc. ILA	Houston	317
674.	Electronic Data Systems	Dallas	316
675.	Longshore., STA-ILA	Baltimore	316
676.	St. Louis Public School	St. Louis	316
677.	Miami City	Miami	315
678.	Cyclops	Pittsburgh	315
679.	Sacramento City	Sacramento, Calif.	315
680.	Carnation	Los Angeles	314
681.	Comm. Clearing House	Riverwoods, Ill.	314
682.	Gulf States Utilities	Beaumont, Texas	314
683.	Western Metal Industry	Seattle	314
684.	Great Northern Nekoosa	Norwalk, Conn.	313
685.	N. Calif. Sheet Metal	San Francisco	313
686.	Tiger Int'l	Los Angeles	313
687.	Laborers 472/172	Newark, N.J.	311
688.	Mass. Carpenters	Burlington	310
689.	Louisiana Parochial	Natchitoches	310
690.	Masco	Taylor, Mich.	310
691.	Miami Fire & Police	Miami	310
692.	Stanley Works	New Britain, Conn.	310
693.	Williams Cos.	Tulsa, Okla.	310
694.	Fireman's Fund	Novato, Calif.	309
695.	Nat'l Fuel Gas	Buffalo, N.Y.	308
696.	Oklahoma Police	Oklahoma City	307
697.	St. Louis Police	St. Louis	305
698.	Insurance-Supp. Org.	New York	303
699.	Nestle	Purchase, N.Y.	302
700.	Fairfax County Schools	Springfield, Va.	300
701.	First Boston	New York	300
702.	Fort Howard	Green Bay, Wis.	300
703.	Graybar Electric	St. Louis	300
704.	N.D. Public Employees	Bismarck	300
705.	Dan River	Danville, Va.	299
706.	Loews	New York	299
707.	Consolidated Papers	Wis. Rapids, Wis.	298
708.	Flying Tiger	Los Angeles	297
709.	Labor 341/942, Alaska	Seattle	296
710.	O.I. Brockway	Toledo, Ohio	296
711.	Arlington County	Arlington, Va.	295
712.	Op. Eng. 825	Newark, N.J.	292
713.	Royal Insurance	Charlotte, N.C.	292
714.	Tampa Police & Fire	Tampa, Fla.	291
715.	Laborers, Mason Tend.	New York	290
716.	Outboard Marine	Waukegan, Ill.	290
717.	Plumbers 525	Las Vegas, Nev.	290
718.	Square D	Palatine, Ill.	289
719.	Arthur Young	New York	288
720.	Norfolk City	Norfolk, Va.	288
721.	Cultural Institutions	New York	287
722.	Pacific P&L	Portland, Ore.	286
723.	Anne Arundel County	Annapolis, Md.	285
724.	Food/Comm. 455	Houston	285
725.	Potlatch	San Francisco	285
726.	Champion Spark Plug	Toledo, Ohio	284
727.	Illinois Carpenters	Geneva	284
728.	Peabody Holding	St. Louis	284
729.	Transco Energy	Houston	284
730.	Fresno City	Fresno, Calif.	283
731.	Adolph Coors	Golden, Colo.	282
732.	Auto Workers, Nat'l HQ	Detroit	280
733.	Kansas P&I	Topeka	280
734.	Interco	St. Louis	279
735.	Revlon	New York	279
736.	Gould	Rolling Meadows, Ill.	277
737.	S. Calif. Plasterers	El Monte	277
738.	Blue Cross/Blue Shield	Detroit	276
739.	Kansas City	Kansas City, Mo.	276
740.	Auto Workers 65	New York	275
741.	J.M. Huber	Edison, N.J.	273
742.	Mass. Laborers	Newton	272
743.	Birmingham Retirement	Birmingham, Ala.	271
744.	Enserch	Dallas	270
745.	Thomas J. Lipton	Englew'd Cl., N.J.	270
746.	Capital Holding	Louisville, Ky.	269

Ranking of funds/sponsors 201 - 1,000

Assets in $ millions

Rank	Fund/sponsor	Location	Assets
747.	West Wash Carpenters	Seattle	269
748.	Elf Acquitaine	Stamford, Conn	269
749.	New Orleans Steamship	New Orleans	269
750.	Producer-Writers Guild	Burbank, Calif	268
751.	Rexnord	Brookfield, Wis	268
752.	Conagra	Omaha, Neb	266
753.	Longshoremen, ILA	Savannah, Ga	266
754.	Amerada Hess	New York	265
755.	Joy Technologies	Pittsburgh	265
756.	Oakland County Empl	Pontiac, Mich	265
757.	Santa Barbara County	Santa Barbara, Calif	265
758.	Maryland Supplemental	Baltimore	262
759.	Pechiney	Greenwich, Conn	262
760.	Actors Equity Extras	New York	260
761.	Loral	New York	260
762.	Rochester Telephone	Rochester, N Y	260
763.	Carpenters, Int'l HQ	Washington	259
764.	Chicago Park	Chicago	259
765.	St Louis City	St Louis	259
766.	Alco Standard	Valley Forge, Pa	258
767.	Heavy Gen Labor 472	Newark, N J	258
768.	Sybron	Milwaukee	256
769.	Parker-Hannifin	Cleveland	255
770.	Steelworkers, Nat'l HQ	Pittsburgh	254
771.	Masonite	Chicago	252
772.	Wis Public Service	Green Bay, Wis	252
773.	Hotel Restaurant 1	Chicago	251
774.	Laborers 341	Anchorage	251
775.	Carpenters, West Pa	Pittsburgh	250
776.	Chesebrough-Pond's	Greenwich, Conn	250
777.	Combined Insurance	Chicago	250
778.	Commonwealth Energy	Cambridge, Mass	250
779.	Harcourt Brace	Orlando, Fla	250
780.	Printing Finance	New York	250
781.	Publix Super Markets	Lakeland, Fla	250
782.	Carter Hawley Hale	Los Angeles	249
783.	Service Employees 144	New York	249
784.	Central Beef	N'dham Hgts .Mass	248
785.	Federal-Mogul	Detroit	248
786.	Hershey Products	Cleveland	248
787.	Illinois Power	Decatur, Ill	248
788.	S Calif Permanente	Pasadena	248
789.	American Water Works	Voohrees, N J	247
790.	Scana	Columbia, S C	247
791.	Amer Insurance Assoc	New York	246
792.	Food Comm 7	Wheat Ridge, Colo	246
793.	Laborers, Western Pa	Pittsburgh	246
794.	Utah P&L	Salt Lake City	246
795.	Iron Wrkrs, North N.J	Newark	245
796.	Tecumseh Products	Tecumseh, Mich	245
797.	American Nat'l Can	Chicago	244
798.	Amfac	San Francisco	244
799.	A G Edwards & Sons	St Louis	244
800.	Wichita City	Wichita, Kan	242
801.	St Paul Teachers	St Paul, Minn	241
802.	Humana	Louisville, Ky	240
803.	Marin County	San Rafael, Calif	240
804.	Marmon	Chicago	240
805.	Portland Gen Electric	Portland, Ore	240
806.	Charter	Jacksonville, Fla.	239
807.	S'western Public Svc	Amarillo, Texas	238
808.	Witco	New York	238
809.	Great Lakes Carbon	Briarcliff Manor, N.Y	237
810.	Moorman Mfg	Quincy, Ill	237
811.	Ohio Casualty Insurance	Hamilton	237
812.	Allis-Chalmers	Milwaukee	236
813.	GATX	Chicago	236
814.	Bowater	Darien, Conn	235
815.	Food Comm 1001	Bellevue, Wash	235
816.	Libbey-Owens-Ford	Toledo, Ohio	235
817.	United Svc. Auto Assoc.	San Antonio, Texas	233
818.	Arvin Industries	Columbus, Ohio	232
819.	Farley Industries	Chicago	231
820.	Iron Wrkrs 40/361/417	New York	231
821.	NVF	Miami Beach, Fla	231
822.	Prince Georges County	Landover, Md	229
823.	South Carolina E&G	Columbia	229
824.	Auto Machinists 289	Seattle	228
825.	Teco Energy	Tampa, Fla.	227
826.	Machinists 701	Chicago	226
827.	Banco Popular	Hato Rey, P.R.	225
828.	Black & Decker	Towson, Md.	225
829.	Dillon	Hutchinson, Kan.	225
830.	Pittston	Greenwich, Conn.	225
831.	AMCA Int'l	Hanover, N.H.	223
832.	Machinists 9	Bridgeton, Mo.	222
833.	Oakland Police & Fire	Oakland, Calif.	222
834.	Simpson Investment	Seattle	222
835.	Allegheny Int'l	Pittsburgh	221
836.	Lukens	Coatesville, Pa.	221
837.	Dynacast	Yorktown Hgts., Pa.	220
838.	Iron Workers Texas	Houston	220
839.	Knoxville City	Knoxville, Tenn.	220
840.	Arkansas Highway	Little Rock	219
841.	Harsco	Camp Hill, Pa	219
842.	Mass. General Hospital	Boston	219
843.	Pennsylvania Municipal	Harrisburg	219
844.	Tandy/Radio Shack	Fort Worth, Texas	219
845.	Food/Comm. 576	Kansas City, Mo.	218
846.	Plumbers 798	Tulsa, Okla.	218
847.	Typographical Union	Chicago	218
848.	Blue Cross/Iowa	Des Moines	217
849.	Electrical Workers 332	San Jose, Calif.	217
850.	San Antonio Fire/Police	San Antonio, Texas	216
851.	Avery Int'l	Pasadena, Calif	215
852.	Montgomery Co. Ed.	Rockville, Md	215
853.	Plumb. 444/159/342/343	San Francisco	215
854.	Shelby County	Memphis, Tenn.	215
855.	SPX	Muskegon, Mich	215
856.	Syntex	Palo Alto, Calif	215
857.	Iron Workers 25	Novi, Mich.	214
858.	Leo Burnett	Chicago	214
859.	ARA Services	Philadelphia	213
860.	PACCAR	Bellevue, Wash	213
861.	Media General	Richmond, Va	212
862.	PaineWebber	New York	212
863.	Wyatt	Washington	210
864.	BBDO Int'l	New York	209
865.	Signode	Glenview, Calif.	209
866.	Greater Cleve. Hosp.	Cleveland	208
867.	MAPCO	Tulsa, Okla.	208
868.	ONEOK	Tulsa, Okla.	208
869.	Continental Grain	New York	207
870.	S. Calif. F/CLocals	Los Angeles	207
871.	S. Ohio Iron Workers	Dayton	207
872.	Archer Daniels Midland	Decatur, Ill.	206
873.	Duquesne Light	Pittsburgh	206
874.	Rubbermaid	Wooster, Mass.	206
875.	Howmet	Greenwich, Conn.	205
876.	Babcock Industries	Fairfield, Conn	204
877.	Walter Industries	Tampa, Fla.	204
878.	K.C. Public School	Kansas City, Mo	203
879.	Omaha Public Power	Omaha, Neb.	203
880.	Siemens Capital	New York	203
881.	Atlantic City Electric	Pleasantville, N.J	202
882.	DeKalb Employees	Decatur, Ga	202
883.	Brown Group	St. Louis	200
884.	Bufkor	St. Petersburg, Fla	200
885.	Cox Enterprises	Atlanta	200
886.	Dow Jones	New York	200
887.	Food Lion	Salisbury, N.C.	200
888.	Kansas City P&L	Kansas City, Mo.	200
889.	League of Vol. Hosp.	New York	200
890.	Marion Labs	Kansas City, Mo.	200
891.	Nashville/Davidson Co.	Nashville, Tenn	200
892.	Plumbers/Steamfit.638	L. Island City, N.Y	200
893.	Alcan Aluminum	Cambridge, Mass.	199
894.	Heublein	Farmington, Conn	199
895.	Puget Sound P&L	Bellevue, Wash.	199
896.	Torchmark	Birmingham, Ala	199
897.	Indianapolis P&L	Indianapolis	198
898.	Laborers 731	New York	198
899.	Op. Eng 542	Norristown, Pa	198
900.	Smith Int'l	Newport Beach, Cal	198
901.	Textile Workers, Nat'l	New York	198
902.	U.S. Borax & Chemical	Los Angeles	198
903.	Twin Cities Carp. 1644	Minneapolis	197
904.	Iron Wrkrs. 14/29/86	Seattle	197
905.	Newmont Mining	New York	197
906.	Castle & Cooke	Los Angeles	196
907.	Grand Union	Wayne, Pa.	196
908.	Foxboro	Foxboro, Mass.	195
909.	Indiana Farmers Mutual	Indianapolis	195
910.	Carpenters, New Jersey	Union	194
911.	Chubb	New York	193
912.	Salomon Brothers	New York	193
913.	Mid-Jersey Teamsters	North Brunswick	192
914.	Yellow Freight	Overland Park, Kan.	192
915.	Alltel	Little Rock, Ark.	191
916.	Amica Mutual	Providence, R.I.	190
917.	Engelhard	Edison, N.J.	190
918.	Op. Eng. 66	Pittsburgh	190
919.	Warner Comm.	New York	189
920.	Auto Club/S. Calif.	Los Angeles	188
921.	Dravo	Pittsburgh	188
922.	Figgie Int'l	Richmond, Va.	188
923.	SKF USA	King of Prussia, Pa.	188
924.	California Auto. Assoc.	San Francisco	186
925.	Copley Press	La Jolla, Calif.	186
926.	Brown-Forman	Louisville, Ky.	185
927.	Fairchild Industries	Chantilly, N.J.	185
928.	Food/Comm. 464	Little Falls, N.J.	185
929.	Omaha Public School	Omaha, Neb.	185
930.	Stanislaus County	Modesto, Calif.	185
931.	St. Louis Firemen	St. Louis	185
932.	Tacoma Employees	Tacoma, Wash.	185
933.	Vetco Gray	Houston	185
934.	Amsted Industries	Chicago	184
935.	Emery Air Freight	Wilton, Conn.	184
936.	Laborers 253	Jacksonville, Ill.	184
937.	Thomson McKinnon	New York	184
938.	Bell & Howell	Skokie, Ill.	183
939.	Bemis	Minneapolis	183
940.	Kansas City Police	Kansas City, Mo.	183
941.	Penn Cantral	Cincinnati	183
942.	Sisters of Mercy/Detroit	Farm'ton Hills, Mich.	183
943.	Blue Cross/Mass.	Boston	182
944.	Consol. Freightwys	Menlo Park, Calif.	182
945.	Electrical Workers 103	Dorchester, Mass.	182
946.	Op. Eng 66	Monroeville, Pa.	182
947.	Wang Labs	Lowell, Mass.	182
948.	Willamette Industries	Portland, Ore.	182
949.	Michelin Tire	Greenwood, S.C.	181
950.	Tulare County	Visalia, Calif.	181
951.	ADT Security	Parsippany, N.J.	180
952.	Dennison Mfg.	Waltham, Mass.	180
953.	FKI Babcock	Fairfield, Conn.	180
954.	Philadelphia Iron Wrkrs	Philadelphia	180
955.	Laborers, Montana Dist.	Great Falls	180
956.	Providence Employees	Providence, R.I.	180
957.	Rapid-American	New York	180
958.	Ryder System	Miami	180
959.	Science Applications	San Diego	180
960.	Dayton P&L	Dayton, Ohio	179
961.	Electrical Workers 1186	Honolulu	178
962.	Kimball Int'l	Jasper, Ind.	178
963.	Stanadyne	Windsor, Conn.	178
964.	YWCA	New York	178
965.	Central Illinois Light	Peoria	177
966.	Diversified Energies	Minneapolis	176
967.	Super Valu Stores	Minneapolis	176
968.	Allegheny County	Pittsburgh	175
969.	Hartmarx	Chicago	175
970.	Limited Stores	Columbus, Ohio	175
971.	Nat'l Starch & Chem.	Bridgewater, N.J.	175
972.	Oklahoma G&E	Oklahoma City	175
973.	Pullman	Princeton, N.J.	175
974.	Deloitte, Haskins	New York	174
975.	Teamsters Council 83	Richmond, Va.	174
976.	Anchorage Police & Fire	Anchorage, Alaska	173
977.	A.E. Staley	Decatur, Ill.	173
978.	Twin City Pipe Trades	St. Paul, Minn.	173
979.	Inland Container	Indianapolis	172
980.	Richmond Supplemental	Richmond, Va.	172
981.	Genuine Parts	Atlanta	171
982.	Hotel Trades	New York	171
983.	Kaman	Bloomfield, Conn.	171
984.	Laborers, Detroit	Birmingham, Mich.	171
985.	N'western Steel & Wire	Sterling, Ill.	171
986.	Painters 9	New York	171
987.	Levi Strauss	San Francisco	170
988.	Lincoln Electric	Cleveland	170
989.	Lone Star	Greenwich, Conn.	170
990.	Macomb County	Mt. Clemens, Mich.	170
991.	Teamsters 182	Utica, N.Y.	170
992.	White Castle System	Columbus, Ohio	170
993.	Frank B. Hall	Briarcliff Manor, N.Y.	169
994.	North Jersey Teamsters	Union City, N.J.	169
995.	Barnes Group	Bristol, Conn.	168
996.	Mercedes-Benz	Montvale, N.J	168
997.	Sheet Metal Wrkrs. 73	Chicago	168
998.	Waste Management	Oak Brook, Ill.	168
999.	Sony	Park Ridge, N.J.	167
1000.	W.W. Grainger	Skokie, Ill.	167

On the following pages, *Pensions & Investment Age* presents sketches of the nation's 200 largest pension funds. The profiles include each fund's asset allocation, investment managers and key personnel.

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A

Abbott Laboratories

	($ millions)
Total assets	1,530
Defined benefit	770
Defined contribution	760
Employer contributions	20
Benefit payments	22
Defined benefit asset mix	
Stocks	40%
Bonds	60%
Defined contribution asset mix	
Stocks	90%
GICs	10%

ABBOTT PARK, Ill. — As of Sept. 30, Abbott Laboratories' total employee benefit assets decreased 8.9% to $1.53 billion from $1.68 billion a year earlier. Defined benefit assets decreased 3.8% during the same period, to $770 million from $800 million. Defined contribution assets decreased 13.6%, to $760 million from $880 million.

Equity managers: Hagler, Mastrovita & Hewitt; Jennison; and RCM.

Fixed-income manager: RCM.

The master trustee is Continental Bank.

The key person overseeing the investment management of the fund is A.G. Olsen, director-employee financial programs.

Aetna Life & Casualty Co.

	($ millions)
Total assets	2,242
Defined benefit	1,462
401(k)	756
Other	24
Employer contributions	38
Benefit payments	85
In-house assets	
Equities	730
Fixed income	95
Short term	17
Other	620
Alternative investments	
International equities	87
Real estate equity	99
Mortgages	19
Hedging devices	
Stock options	Y
Bond options	Y
Stock index futures	Y
Fixed-income futures	Y
Defined benefit asset mix	
Stocks	58%
Bonds	7%
Cash equivalents	1%
Real estate equity	7%
Annuities	27%
Defined contribution asset mix	
Stocks	7%
GICs	63%
Company stock	30%

HARTFORD, Conn. — As of Sept. 30, Aetna Life & Casualty Co.'s total employee benefit assets declined 2.3% to $2.242 billion from $2.294 billion a year earlier. Defined benefit assets decreased 4.9% during the same period, to $1.462 billion from $1.537 billion. 401(k) assets increased 3.1%, to $756 million from $733 million.

All assets are managed by Aetna Capital Management, an affiliate of Aetna Life.

The master trustee is Connecticut National Bank.

Key personnel overseeing the investment management of the fund are P.R. Roberts, senior vice president-investments, and E.F. Kelly, senior vice president-pension and financial services.

Retirement Systems of Alabama

	($ millions)
Total assets*	7,000
Defined benefit	7,000
Employer contributions	272
Benefit payments	286
*book value	
In-house assets	
Equities	911
Fixed income	5,246
Short term	829
Other	14
Passive investments	
Indexed stocks	603
GICs	7
Alternative investments	
Private placements	957
Real estate equity	7
Mortgages	1,223
Mortgage-backed securities	516
Hedging devices	
Stock options	Y
Defined benefit asset mix	
Stocks	13%
Bonds	49%
Cash equivalents	12%
Mortgages	18%
Mortgage-backed securities	8%

MONTGOMERY, Ala. — As of Sept. 30, assets of the Retirement Systems of Alabama increased 12.3% from a year earlier, to $7 billion from $6.233 billion. All the assets are managed internally.

Key personnel overseeing the investment management of the fund are David G. Bronner, chief executive officer; Hunter Reaves, director-fixed income; and Cheryl Duke, director-equities.

State of Alaska Retirement Systems

	($ millions)
Total assets	3,476
Defined benefit	3,476
Employer contributions	160
Benefit payments	118
In-house assets	
Fixed income	1,794
Short term	305
Passive investments	
Indexed stocks	71
Alternative investments	
International equities	230
Real estate equity	231
Mortgages	219
Hedging devices	
Stock index futures	Y
Fixed-income futures	Y
Defined benefit asset mix	
Stocks	33%
Bonds	45.3%
Cash equivalents	8.8%
Real estate equity	6.6%
Mortgages	6.3%

JUNEAU, Ala. — As of June 30, the State of Alaska Retirement Systems' total employee benefit assets increased 4.1% to $3.476 billion from $3.340 billion a year earlier. All assets are in defined benefit plans.

Equity managers: Domestic — Fred Alger; INVESCO; Lehman Management; and State Street Bank.

International — Citibank, London and Morgan Guaranty Trust.

Real estate managers: Aetna; Equitable; JMB; Karsten; J.P. Morgan; and Sentinel.

The master custodian is First Pennsylvania Bank.

Key personnel overseeing the investment management of the fund are James R. Wilson, chief investment manager; Kenneth L. Shaffer, portfolio manager; and Martin W. Lentz, real estate officer.

Allied-Signal Inc.

	($ millions)
Total assets	6,609
Defined benefit	4,833
Defined contribution	1,776
Employer contributions	175
Benefit payments	280
In-house assets	
Equities	500
Fixed income	500
Short term	300
Passive investments	
Indexed stocks	300
GICs	190
Alternative investments	
International equities	245
Real estate equity	338
Hedging devices	
Stock options	Y
Bond options	Y
Stock index futures	Y
Fixed-income futures	Y
Defined benefit asset mix	
Stocks	46%
Bonds	30.1%
Cash equivalents	10%
Real estate equity	7%
GICs	3.9%
Other	3%
Defined contribution asset mix	
Stocks	61%
GICs	39%

MORRISTOWN, N.J. — As of Sept. 30, Allied-Signal Inc.'s total employee benefit assets decreased 2.9% to $6.609 billion from $6.808 billion a year earlier.

In addition to its international and real estate investments, Allied-Signal has $100 million invested in venture capital, oil and gas, private placements and leveraged buy-outs, for which it would not provide a breakout.

Equity managers: Domestic — Baron; BMI Capital; Chesapeake Capital; Delaware; Dodge & Cox; Johnson, Valliant & Broadfoot; KR Capital; John Levin; Lincoln Capital; Lord, Abbett; S Squared; Donald Smith; State Street Bank; Target Investors; Towneley Capital; Verus Capital; Weiss, Peck & Greer; Westport Asset; and Wilshire Asset.

International — Batterymarch; Arnhold & S. Bleichroeder; and Morgan Grenfell.

Fixed-income managers: Delaware; W.R. Huff; and J.P. Morgan.

Real estate managers: Aetna; Copley; John Hancock; MIG Realty; Property Capital; Prudential; RREEF; TCW Realty; and Travelers.

The master trustees are Northern Trust for the defined benefit plan and State Street Bank for the defined contribution plan.

Key personnel overseeing the investment management of the fund are Edward T. Tokar Jr., vice president-investments; Mark E. Smith, senior portfolio manager; and Jay W. Burden, portfolio manager.

Aluminum Co. of America

	($ millions)
Total assets	2,892
Defined benefit	2,400
401(k)	492
Employer contributions	200
Benefit payments	175
Passive investments	
Dedicated/immunized	1,253
Alternative investments	
International equities	35
International bonds	25
Venture capital	47
Oil and gas	2
LBOs	26
Real estate equity	78
Mortgage-backed securities	75
Hedging devices	
Stock index futures	Y
Fixed-income futures	Y
Defined benefit asset mix	
Stocks	17%
Bonds	67%
Cash	10%
Real estate equity	3%
Mortgage-backed securities	3%
Defined contribution asset mix	
Stocks	7%
Company stock	28%
GICs	65%

PITTSBURGH — As of Sept. 30, Aluminum Co. of America's total employee benefit assets decreased 5.9% to $2.892 billion from the $3.072 billion *Pensions & Investment Age* estimated a year earlier. Defined benefit assets decreased 11.2% during the same period, to $2.4 billion from the estimated $2.703 billion, and 401(k) plan assets increased 33%, to $492 million from $369 million.

Equity managers: Domestic — Franklin Portfolio; Geewax, Terker; Matrix; Rosenberg Institutional; State Street Bank; and Wells Fargo.

International — Capital Guardian and Mercator.

Fixed-income managers: Domestic — Massachusetts Financial; Mellon Bond; J.P. Morgan; and STW.

International — Massachusetts Financial.

Real estate managers: Coldwell Banker; Equitable; John Hancock; and RREEF.

The master trustee is Mellon Bank.

Key personnel overseeing the investment management of the fund are Joseph C. Pellegrino, director-pension investments and analysis, and Donna S. Barr, trust investment analyst.

American Airlines

	($ millions)
Total assets	3,100
Defined benefit	1,550
Defined contribution	1,200
401(k)	350
Employer contributions	150
Benefit payments	120
In-house assets	
Equities	50
Fixed income	760
Short term	90
Passive investments	
Dedicated/immunized	750
Alternative investments	
International equities	130
International bonds	30
Real estate equity	10
Mortgage-backed securities	250
Hedging devices	
Stock options	Y
Defined benefit asset mix	
Stocks	25%
Bonds	50%
Cash equivalents	10%
Mortgage-backed securities	15%
Defined contribution asset mix	
Stocks	81%
Cash equivalents	12%
GICs	7%

FORT WORTH, Texas — As of Sept. 30, American Airlines' total employee benefit assets were substantially unchanged from a year earlier, reporting $3.1 billion vs. $3.13 billion a year earlier. Defined benefit assets decreased 3.1% during the same period, to $1.55 billion from $1.6 billion, and defined contribution assets decreased 7.7% to $1.2 billion from $1.3 billion.

Balanced managers: Domestic — Barrow, Hanley; Capital Guardian; Hotchkis and Wiley; Independence; NCNB Texas; and Penmark.

International — Morgan Grenfell; Rowe Price-Fleming; and N.M. Rothschild.

The master trustee is NCNB Texas; the global custodian is Chase Manhattan.

Key personnel overseeing the investment management of the fund are William F. Quinn, president of AMR Investment Services, and Thomas M. Stawicki, vice president of AMR Investment Services.

American Electric Power Co.

	($ millions)
Total assets	1,561
Defined benefit	1,062
Thrift or savings/401(k)	499
Employer contributions	15
Benefit payments	48
Passive investments	
Indexed stocks	164
Alternative investments	
Venture capital	29
Real estate equity	17
Hedging devices	
Stock options	Y
Stock index futures	Y
Fixed-income futures	Y
Defined benefit asset mix	
Stocks	62%
Bonds	19%
Cash equivalents	14%
Real estate equity	2%
Other	3%

COLUMBUS, Ohio — As of Sept. 30, American Electric Power Co.'s total employee benefit assets increased 6.6% to $1.561 billion from $1.465 billion a year earlier. Defined benefit assets decreased 4.1% during the same period, to $1.062 billion from $1.107 billion. Thrift and savings/401(k) plan assets rose 44.6% to $499 million from $345 million.

Equity managers: BEA; Manning & Napier; Meeder; Metropolitan; Mount Vernon; W.H. Reaves; Fayez Sarofim; Thorndike, Doran, Paine & Lewis; and Robert Torray.

Fixed-income managers: BEA; Manning & Napier; MEG; and Thorndike, Doran, Paine & Lewis.

Real estate managers: Fayez Sarofim and Metropolitan Life.

Venture capital manager: John Hancock.

The master trustee is Irving Trust; the investment consultant is Buck.

Key personnel overseeing the investment management of the fund are Joseph H. Shepard, manager-system corporate benefit funds; and Gerald P. Maloney, senior vice president-finance.

American Information Technologies Corp.

	($ millions)
Total assets	12,100
Defined benefit	10,400
401(k)	1,700
Employer contributions	na
Benefit payments	na
In-house assets	
Equities	800
Short term	1,200
Passive investments	
Indexed stocks	650
Indexed bonds	550
Dedicated/immunized	3,100
Alternative investments	
International equities	700
International bonds	100
Venture capital	125
Real estate equity	650
Mortgages	50
Hedging devices	
Stock options	Y
Bond options	Y
Stock index futures	Y
Fixed-income futures	Y
Defined benefit asset mix	
Stocks	49%
Bonds	40%
Cash equivalents	5%
Real estate equity	6%

Largest corporate funds

Fund	Assets $ millions
General Motors	37,600
AT&T	35,143
General Electric	25,300
IBM	21,761
Ford Motor	19,650
E.I. du Pont de Nemours	16,489
NYNEX	13,401
Ameritech	12,100
Bell Atlantic	10,816
GTE	10,596
BellSouth	10,505
Pacific Telesis	9,639
USX	8,860
Rockwell Int'l	8,583
Boeing	8,476
U S WEST	8,133
Eastman Kodak	7,825
Exxon	7,609
Sears, Roebuck	7,176
Lockheed	7,113
United Technologies	7,000
Southwestern Bell	6,961
Shell Oil	6,686
Allied-Signal	6,609
McDonnell Douglas	6,462
Total	320,493

Largest public funds

Fund	Assets $ millions
California Public Employees	45,940
New York Stae & Local	37,918
New York City	35,537
California State Teachers	24,721
New York State Teachers	22,779
New Jersey Investment	20,092
Texas Teachers	19,439
Wisconsin Investment Board	16,419
Ohio Public Employees	16,408
State of Michigan	15,798
Ohio State Teachers	15,348
Florida State Board	14,411
North Carolina Systems	13,800
Pennsylvania Public School	12,999
Washington State Board	10,867
Minnesota State Board	10,207
Oregon Public Employes	8,800
Los Angeles County	8,744
Maryland State	8,717
Virginia Supplemental	8,041
Pennsylvania State Employes	7,967
Colorado Public Employees	7,591
Georgia Teachers	7,525
Illinois Teachers	7,043
Alabama Systems	7,000
Total	404,111

Largest miscellaneous funds

Fund	Assets $ millions
TIAA-CREF	67,141
University of California	10,123
United Nations Joint Staff	7,146
Illinois State Universities	3,060
United Methodist Church	2,903
World Bank	2,687
Tennessee Valley Authority	2,500
Southern Baptist Convention	2,223
Presbyterian Church (USA)	2,000
Nat'l Rural Electric Co-op	1,982
Episcopal Church Pension Fund	1,470
Evangelical Lutheran Church	1,420
Army & Air Force Exchange	1,386
Total	106,061

CHICAGO — As of Sept. 30, American Information Technologies Corp.'s total employee benefit assets decreased 3.9% to $12.1 billion from $12.592 billion a year earlier. Defined benefit assets decreased 6.8% during the same period to $10.4 billion from $11.157 billion. 401(k) plan assets increased 18.5% to $1.7 billion from $1.435 billion.

Ameritech executives would not provide a list of external managers. The following list was provided by Money Market Directory.

Investment managers: Ameritrust; Baring International; CIGNA; Concord Capital; Delaware Investment; Derivative Markets; First Chicago; First Wisconsin Asset; First Wisconsin Trust; General American Life; David J. Greene; IDS Advisory; IDS Financial; IDS International; Jennison Associates; JMB; Lincoln Capital; Loomis, Sayles; Lord, Abbett; Metropolitan Life; National Investment Services; Neuberger and Berman; PSI; RCM; RREEF; Sit Investment; Travelers; and Wells Fargo Investment Advisors.

The master trustee is Harris Trust; the investment consultant is Callan.

The key person overseeing the investment management of the fund is Donald W. Phillips, director-investment management.

American Stores Co.

	($ millions)
Total assets	1,623
Defined benefit	84
Defined contribution	1,539
Employer contributions	62
Benefit payments	28
Passive investments	
Indexed stocks	17
Alternative investments	
International equities	39
Hedging devices	
Stock options	Y
Bond options	Y
Stock index futures	Y
Fixed-income futures	Y
Defined benefit asset mix	
Stocks	51.4%
Bonds	48.6%
Defined contribution asset mix	
Stocks	36%
Bonds	47%
Cash equivalents	2%
Company stock	15%

SALT LAKE CITY, Utah — As of Sept. 30, American Stores Co.'s total employee benefit assets increased 0.7% to $1.623 billion from $1.611 billion the previous year. Defined benefit assets decreased 13% during the same period, to $83.5 million from $96 million. Defined contribution assets increased 1.6%, to $1.539 billion from $1.515 billion a year earlier.

Equity managers: Domestic — Bankers Trust; Institutional Capital; Lazard Freres; RCM; Templeton; and Wells Fargo.

International — Templeton.

Fixed-income managers: Domestic — Neuberger & Berman; PIMCO; and Western Asset.

Real estate managers: Coldwell Banker, LaSalle and RREEF.

The master trustee and global custodian are Bankers Trust; the investment consultant is Evaluation Analysis Inc.

Key personnel overseeing the investment management of the fund are Scott Bergeson, executive vice president, and Duane Whitney, controller.

American Telephone & Telegraph Co.

	($ millions)
Total assets	35,143
Defined benefit	28,691
Thrift or savings	5,851
ESOP	601
Employer contributions	563
Benefit payments	1,150
In-house assets	
Other	1,615
Passive investments	
Indexed stocks	8,170
Indexed bonds	3,867
Alternative investments	
International equities	1,613
Venture capital	443
Oil and gas	245
LBOs	356
Private placements	794
Real estate equity	3,678
Hedging devices	
Stock index futures	Y
Defined benefit asset mix	
Stocks	55%
Bonds	28%
Real estate equity	13%
Other	4%
Defined contribution asset mix	
Stocks	23%
Bonds	5%
Cash equivalents	4%
GICs	33%
Company stock	35%

NEW YORK — As of Sept. 30, American Telephone & Telegraph Co.'s total employee benefit assets decreased 6.5% to $35.143 billion from $37.577 billion. Defined benefit assets decreased 7% during the same period, to $28.691 billion from $30.838 billion.

Managers: Abbott Capital; ABD; Aldrich, Eastman; Bankers Trust; Batterymarch; Boston Co. Real Estate; Brown Brothers Harriman; Capital Guardian; Chase Investors; Citibank; Coldwell Banker; Copley Real Estate; Corporate Property Investors; Denver Investment Advisors; Discount Corp.; Eastdil Advisers; Equitable; Favia, Hill; Fidelity International; First Wachovia; Goldman, Sachs; G.T. Capital; John Hancock; Heitman; INVESCO; Investment Counselors of Maryland; Ivory & Sime; Jennison; JMB; Karsten Institutional Realty; Lincoln Capital; Loomis, Sayles; Lord, Abbett; Mitchell, Hutchins; Mellon Bank; J.P. Morgan; Morgan Grenfell; NCNB Texas; O'Connor Management; PIMCO; Posthorn; Prudential; RCM; RREEF; Standish, Ayer & Wood; State Street Bank; State Street Research; Thorndike, Doran, Paine & Lewis; United Capital Management; United States Trust/N.Y.; Wells Fargo Bank; and Western Asset.

Trustees for the AT&T master pension trust are Bankers Trust, Chase Manhattan, Citibank, Mellon Bank, Northern Trust and State Street Bank. The global custodian is Chase Manhattan; the investment consultant is Frank Russell.

Key personnel overseeing the investment management of the fund are David P. Feldman, corporate vice president; Robert E. Angelica, director; and Ronald R. Roessler, director.

Amoco Corp.

	($ millions)
Total assets	4,014
Defined benefit	2,214
Thrift or savings	1,618
ESOP	182
Employer contributions	101
Benefit payments	192
In-house assets	
Equities	309
Short term	57
Passive investments	
Indexed stocks	183
Alternative investments	
International equities	243
Venture capital	47
LBOs	76
Real estate equity	105
Hedging devices	
Fixed-income futures	Y
Defined benefit asset mix	
Stocks	66%
Bonds	10%
Cash equivalents	14%
Real estate equity	5%
Venture capital/LBOs	5%

CHICAGO — As of Sept. 30, Amoco Corp.'s total employee benefit assets decreased 6.7% to $4.014 billion from $4.3 billion a year earlier. Defined benefit assets decreased 12% during the same period, to $2.214 billion from $2.515 billion. Savings plan assets increased 3.3%, to $1.618 billion from $1.567 billion. ESOP assets decreased 16.5%, to $182 million from $218 million.

Equity managers: Domestic — CMB; Chase Manhattan; Dimensional; Fidelity Management Trust; Forstmann-Leff; Franklin Portfolio; Fayez Sarofim; and State Street Research.

International — Fidelity International and State Street Bank.

Fixed-income manager: PIMCO.

Real estate manager: Equitable.

The master trustee and global custodian is Chase Manhattan.

Key personnel overseeing the investment management of the fund are Marvin L. Damsma, director-pension administration, and John S. Ruey, administrative manager-investments.

Arizona State Retirement System

	($ millions)
Total assets	6,429
Defined benefit	6,429
Employer contributions	127
Benefit payments	200
In-house assets	
Short term	68
Passive investments	
Indexed stocks	932
Indexed bonds	339
Alternative investments	
International equities	434
Mortgages	233
Defined benefit asset mix	
Stocks	41%
Bonds	42%
Cash equivalents	13%
Mortgages	4%

PHOENIX, Ariz. — As of Sept. 30, the Arizona State Retirement System's total employee benefit assets in-

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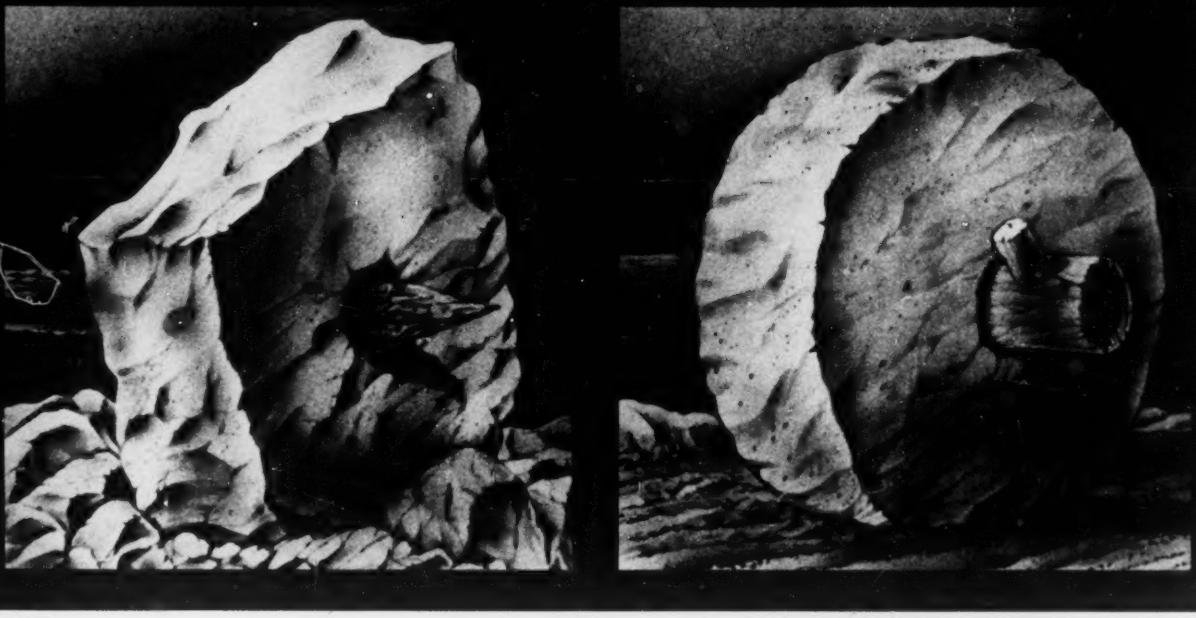

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NCNB

*As reported by CDA Investment Technologies, Inc. for the period ending December 31, 1987.

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creased 4% to $6.429 billion from $6.182 billion a year earlier. All the assets are in a defined benefit plan.

Equity managers: Domestic — Bernstein-Macaulay; Boston Co.; Criterion; Fiduciary Trust; IDS Advisory; INVESCO; J.P. Morgan; and Wells Fargo.

International — State Street Bank and Warburg.

Fixed-income managers: Boston Co.; Criterion; Duff & Phelps; Fiduciary Trust; IDS Advisory; INVESCO; J.P. Morgan; and Wells Fargo.

Mortgage manager: Valley National Bank.

The master custodian is Mellon Bank; the global custodians are Mellon Bank and State Street; the consultant used for performance measurement is Mercer-Meidinger-Hansen.

Key personnel overseeing the investment management of the fund are Edwin C. Gallison, director, and Douglas Lemon, assistant director-finance.

Structured investing: Feb. 20.

Arkansas Teacher Retirement System

	($ millions)
Total assets*	1,827
Defined benefit	1,827
Employer contributions	81
Benefit payments	105
*as of July 30, 1988	
In-house assets:	
Short term	199
Alternative investments:	
Private placements	30
Mortgages	49
Mortgage-backed securities	175
Defined benefit asset mix:	
Stocks	35%
Bonds	41.1%
Cash equivalents	11.6%
Mortgages	2.7%
Mortgage-backed securities	9.6%

LITTLE ROCK, Ark. — As of July 30, the Arkansas Teacher Retirement System's total employee benefit assets increased 2.99% to $1.827 billion from $1.774 billion Sept. 30, 1987.

Equity manager: Oppenheimer Capital.

Fixed-income manager: First Commercial Bank.

The master trustee is First Commercial Bank and the state treasurer; the investment consultant is Shearson Lehman Hutton.

Key personnel overseeing the investment management of the fund are Mavolene C. Booth, investment manager, and Wayne Greathouse, investment coordinator.

Armco Inc.

	($ millions)
Total assets	1,889
Defined benefit	1,657
Profit-sharing	10
Thrift or savings	205
401(k)	17
Employer contributions	83
Benefit payments	175
In-house assets:	
Fixed income	436
Short term	65
Passive investments:	
Indexed stocks	205
Dedicated/immunized	436
GICs	24
Alternative investments:	
International equities	42
Other international	26
Venture capital	9
Private placements	8
Real estate equity	9
Mortgage-backed securities	133
Hedging devices:	
Stock options	Y
Stock index futures	Y
Defined benefit asset mix:	
Stocks	56.2%
Bonds	18.8%
Cash equivalents	4%
Real estate equity	0.5%
Mortgage-backed securities	8%
GICs	1.4%
Other	11.1%
Defined contribution asset mix:	
Stocks	4%
GICs	48%
Company stock	48%

MIDDLETOWN, Ohio — As of Sept. 30, Armco Inc.'s total employee benefit assets decreased 5.5% to $1.889 billion from $1.999 billion a year earlier. Defined benefit assets decreased 7.7% during the same period, to $1.657 billion from $1.795 billion. Thrift/savings plan assets increased 29.7%, to [illegible]5 million from $158 million.

Equity managers: Domestic — Alliance; Capital Guardian; Columbus Circle; Lincoln; Mellon Capital; and Miller, Anderson & Sherrerd.

International — Oechsle.

Fixed-income manager: Armco Investment.

Real estate manager: RREEF.

GIC manager: John Hancock.

Private placements manager: Equitable.

The master trustee and global custodian is Chase Manhattan; the investment consultant is SEI.

Key personnel overseeing the investment management of the fund are Dennis F. Furey, executive vice president, Armco Investment; Ronald A. Stuepfert, vice president, Armco Investment; and Leo J. Koch, assistant vice president, Armco Investment.

Army and Air Force Exchange Service

	($ millions)
Total assets*	1,386
Defined benefit	1,355
Thrift or savings	31
Employer contributions	64
Benefit payments	61
*as of June 30, 1988	
Passive investments:	
Indexed stocks	153
Alternative investments:	
International equities	108
International bonds	70
Venture capital	18
Private placements	113
Real estate equity	97
Mortgage-backed securities	23
Hedging devices:	
Stock options	Y
Stock index futures	Y
Defined benefit asset mix:	
Stocks	62%
Bonds	28%
Real estate equity	8%
Mortgage-backed securities	2%
Defined contribution asset mix:	
GICs	100%

DALLAS — As of June 30, the Army and Air Force Exchange Service's total employee benefit assets increased 6.2% to $1.386 billion from $1.305 billion a year earlier. Defined benefit assets increased 6.1% during the same period, to $1.355 billion from $1.277 billion.

Equity managers: Domestic — Capital Technology; Chancellor; Independence; Nicholas-Applegate; Trinity; Wells Fargo; and Westport.

International — Citibank, London; Morgan Grenfell; and State Street Bank.

Fixed-income managers: Domestic — Chancellor; Dimensional Fund; Hibernia; and Wilmington Trust.

International — PCM.

Real estate managers: Aetna (equity and mortgages); Goldman; John Hancock; JMB; LaSalle; J.P. Morgan; and RREEF.

Venture capital: Abbott Capital and John Hancock.

Portfolio insurance: Aetna.

Bankers Trust is master custodian and global custodian; the investment consultant is SEI.

Key personnel overseeing the investment management of the fund are Martin R. Handel, comptroller; Russel D. English, deputy comptroller; and Kenneth C. Weaver, assistant comptroller-insurance.

Atlantic Richfield Co.

	($ millions)
Total assets	2,977
Defined benefit	2,113
Thrift or savings	408
401(k)	285
ESOP	171
Employer contributions	na
Benefit payments	165
In-house assets:	
Equities	1,000
Fixed income	320
Short term	30
Other	78
Passive investments:	
GICs	53
Alternative investments:	
International bonds	87
Venture capital	42
Oil and gas	4
Private placements	38
Real estate equity	149
Mortgages	13
Mortgage-backed securities	140
Hedging devices:	
Stock options	Y
Stock index futures	Y
Fixed-income futures	Y
Defined benefit asset mix:	
Stocks	53.8%

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Bonds	18.6%
Cash equivalents	7%
Real estate equity	7.1%
Mortgages	0.6%
Mortgage-backed securities	6.6%
GICs	2.5%
Other	3.8%
Defined contribution asset mix	
Stocks	60%
Cash equivalents	40%

LOS ANGELES — As of Sept. 30, Atlantic Richfield Co.'s total employee benefit assets decreased 8% to $2.977 billion from $3.236 billion a year earlier. Defined benefit assets decreased 10.4% during the same period, to $2.113 billion from $2.357 billion. Thrift/savings plan assets decreased slightly, to $408 million from $411 million.

Equity managers: International — G.T. Capital, Rowe Price-Fleming, TCW, and Warburg.

Fixed-income managers: Domestic — MacKay-Shields, J.P. Morgan, Solomon, and Weiss, Peck & Greer.

International — Baring.

Real estate managers: Aldrich, Eastman & Waltch, Fox Group, and Lehndorff & Babson.

Other managers: Payden & Rygel and Security Pacific.

The master trustee and global custodian is State Street Bank.

E. Kent Damon Jr., vice president and investment officer, oversees the investment management of the fund.

B

Bakery & Confectionery Union & Industry International Pension Fund

	($ millions)
Total assets	1,849
Defined benefit	1,849
Employer contributions	167
Benefit payments	147
In-house assets	
Other	124
Passive investments	
Indexed stocks	65
Indexed bonds	45
Dedicated/immunized	76
GICs	50
Alternative investments	
International equities	23
Mortgages	124
Defined benefit asset mix	
Stocks	36.8%
Bonds	41.2%
Cash equivalents	12%
Mortgages	6.7%
GICs	2.7%
Other	0.6%

KENSINGTON, Md. — As of Sept. 30, the Bakery & Confectionery Union & Industry International Pension Fund's total employee benefit assets decreased 7.5% to $1.849 billion from $2 billion a year earlier.

Balanced managers: Lazard Freres, Loomis, Sayles, M.D. Sass, Stein, Roe & Farnham, Trust Co. of the West, and Wertheim.

About $23 million are invested in Canadian stocks on behalf of Canadian plan participants.

The master custodian is Mercantile-Safe Deposit.

Key personnel overseeing the investment management of the fund are John J. Fleming, administrative director, and Richard Swift, director of investments.

Baltimore City Retirement Systems

	($ millions)
Total assets	1,343
Defined benefit	1,343
Employer contributions	30
Benefit payments	59
Passive investments	
Dedicated/immunized	68
GICs	73
Alternative investments	
Real estate equity	45
Mortgages	15
Hedging devices	
Stock options	Y
Defined benefit asset mix	
Stocks	41%
Bonds	36.9%
Cash equivalents	12%
Real estate equity	3%
Mortgages	1.1%
GICs	6%

timore City's employee benefit assets decreased 4.1% to $1.343 billion from $1.4 billion a year earlier. All assets are in defined benefit plans.

Equity managers: Addison; Ariel; Crawford; Delaware; Dietch and Field; Dreman; Hudson; and Investment Counselors of Maryland.

Fixed-income managers: Oppenheimer; Fayez Sarofim; and State State Research.

Real estate managers: CIGNA; Heitman; JMB; and Schroder.

Options manager: Balch, Hardy.

The master custodian is Mercantile-Safe Deposit; the investment consultant is Evaluation Associates.

Key personnel overseeing the investment management of the fund are Ernest J. Glinka, administrator; Thomas P. Taneyhill, deputy administrator; and Charles W. Parker, accounting manager.

Bechtel Power Corp.

	($ millions)
Total assets	1,417
Defined contribution	1,417
Employer contributions	30
Benefit payments	115
Defined contribution asset mix	
Stocks	38%
Bonds	15%
Cash equivalents	14%
GICs	2%
International securities	25%
Real estate	6%

SAN FRANCISCO — As of Sept. 30, Bechtel Power Corp.'s total employee benefit assets decreased 4.1% to $1.417 billion from $1.478 billion a year earlier. All assets are defined contribution.

The master trustee and global custodian is Bankers Trust; the investment consultant is Sierra Asset Management.

Key personnel overseeing the investment management of the fund are David L. Redo, president, Sierra Asset, and Vincent P. Kuhn Jr., executive vice president, Sierra Asset.

Bell Atlantic Corp.

	($ millions)
Total assets*	10,816
Defined benefit	9,116
Thrift or savings	84
401(k)	1,421
ESOP	195
Employer contributions	na
Benefit payments	na
*as of Aug. 31, 1988	
Passive investments	
Indexed stocks	600
Hedging devices	
Stock index futures	Y
Fixed-income futures	Y

PHILADELPHIA — Bell Atlantic Corp.'s total employee benefit assets decreased 6% to $10.816 billion as of Aug. 31 from $11.502 billion Sept. 30, 1987.

Defined benefit assets decreased 8.6% to $9.116 billion from $9.974 billion during the same period. Thrift/saving plan assets fell 80.1% to $84 million from $430 million; 401(k) assets rose 72.5%, to $1.421 billion from $824 million; and ESOP assets fell 28.8% to $195 million from $274 million.

Bell Atlantic supplied the data on its asset totals, trustees and personnel, but declined to disclose its investment managers. The following list came from the 1989 Money Market Directory.

Managers: Abbott Capital; Aldrich Eastman & Waltch; Aronson and Fogler; Bankers Trust; Chancellor Capital; CIGNA Investments; Copley Real Estate; Corporate Property Investors; Richard Ellis; Fischer Francis Trees & Watts; Franklin Portfolio; Geewax Terker; Grantham Mayo Van Otterloo; Jennison Associates; JMB; LaSalle Advisors; Matrix Capital; Mellon Capital; Mellon Real Estate; Mercator Asset; Metropolitan Life; Miller Anderson & Sherrerd; The New England; O'Connor Group; PIMCO; PRIMECAP; Rosenberg Institutional; Walter Scott International; Standish Ayer & Wood; State Street Bank; Thorndike Doran Paine & Lewis; Travelers Insurance; Vanguard; Wellington Management; and Wellington

The master trustee for the defined benefit fund is Mellon Bank; the custodian for the 401(k) plans is Bankers Trust; the global custodian is State Street Bank; and the investment consultant is Frank Russell.

Key personnel overseeing the investment management of the fund are Joseph A. Bobrowski, executive director-trust administration, and Edward P. Rennie, executive director-trust investment.

BellSouth Corp.

	($ millions)
Total assets	10,505
Defined benefit	8,785
Thrift/savings/401(k)/ESOP	1,720
Employer contributions	na
Benefit payments	na
In-house assets	
Short term	513

ATLANTA — As of Sept. 30, BellSouth Corp.'s total employee benefit assets increased 4.3% to $10.505 billion from $10.07 billion a year earlier. Defined benefit assets increased 4.8% during the same period, to $8.785 billion from $8.384 billion. Defined contribution assets increased 2% to $1.72 billion from $1.686 billion.

BellSouth executives did not release further data on the assets.

Managers: Aetna Life; Alliance Capital; AmSouth; Bankers Trust; Barnett Banks; Brown Brothers Harriman; C&S Investment; Connecticut General; Dimensional Fund Advisors; First Kentucky Co.; First Tennessee; First Union; INVESCO; Jennison Associates; Loomis, Sayles; Metropolitan Life; Mutual Benefit Life; NCNB National Bank; PIMCO; Pension Realty Advisors; Provident National Assurance; Prudential Asset Management; Richmond Capital Management; South Carolina National; State Street Bank; Sun Banks; TREET; Travelers Insurance; First Wachovia; Wells Fargo Investment.

The master trustee for the defined benefit fund is First Wachovia; the trustee and custodian for the savings plans is Bankers Trust.

Key personnel overseeing the investment management of the fund are Kincaid Patterson, director-trust assets, and Mary O. Wier, corporate manager-trust assets.

Bethlehem Steel Corp.

	($ millions)
Total assets	2,722
Defined benefit	2,722
Employer contributions	700
Benefit payments	471
In-house assets	
Equities	761
Fixed income	1,508
Short term	388
Other	43
Passive investments	
GICs	35
Alternative investments	
International equities	23
Mortgage-backed securities	550
Defined benefit asset mix	
Stocks	29%
Bonds	35%
Cash equivalents	14%
Mortgage-backed securities	20%
GICs	2%

BETHLEHEM, Pa. — As of Sept. 30, Bethlehem Steel Corp.'s total employee benefit assets held relatively steady, rising to $2.722 billion from $2.699 billion a year earlier. All of the assets are defined benefit.

Equity managers: International — J.P. Morgan and Putnam.

The master custodian is Bankers Trust.

The key person overseeing the investment management of the fund is J. Gerard Mead, pension fund manager.

Boeing Co.

	($ millions)
Total assets*	8,475
Defined benefit	5,221
Thrift or savings	3,254
Employer contributions	571
Benefit payments	na
*From Money Market Directory	

SEATTLE — As of June 30, Boeing Co.'s total employee benefit assets increased 29.6% to $8.475 billion from

to the 1989 Money Market Directory. Defined benefit assets increased 32.5% during the same period, to $5.221 billion from $3.94 billion. Thrift/savings assets increased 25.3% to $3.254 billion from $2.598 billion a year earlier.

Largest defined benefit plans

Fund	Assets $ millions
California Public Employees	45,940
New York State & Local	37,918
New York City	35,537
General Motors	32,500
AT&T	28,691
California State Teachers	24,721
New York State Teachers	22,779
General Electric	21,100
New Jersey Investment	19,892
Texas Teachers	19,439
IBM	19,332
Wisconsin Investment Board	16,419
Ohio Public Employees	16,408
State of Michigan	15,798
Ohio State Teachers	15,348
Ford Motor	15,100
Florida State Board	14,411
North Carolina Systems	13,800
Pennsylvania Public School	12,999
E.I. du Pont de Nemours	11,570
NYNEX	11,262
Washington State Board	10,867
Ameritech	10,400
Minnesota State Board	9,657
University of California	9,153
Total	491,041

All information for this profile came from MMD.

Managers: Beekman; Robert C. Brown; Cambiar; Cashman, Farrell; Chase Investors; Cnase Investors; Chase Manhattan Bank; Geewax, Terker; IDS Advisory; IDS Financial; INVESCO; Miller, Anderson & Sherrerd; J.P. Morgan; Olympic Capital; PIMCO; PRIMECAP; RCM; Roanoke; Russell; Seattle Capital; Security Pacific; Sit; Cabanne Smith; TCW Asset; Waite & Correnti; and Westwood.

The master trustee is Chase Manhattan Bank.

Key personnel overseeing investment management of the fund are Gary B. Bland, vice president-trust investments and investor relations; and Elizabeth A. Marcoux, manager-trust investments.

Board of Trustees, Boilermaker Blacksmith National Pension Trust

	($ millions)
Total assets	2,128
Defined benefit	2,128
Employer contributions	56
Benefit payments	na
In-house assets	
Short term	8
Passive investments	
Dedicated/immunized	113
GICs	68
Alternative investments	
Private placements	45
Real estate equity	241
Defined benefit asset mix	
Stocks	41%
Bonds	34%
Cash equivalents	8%
Real estate equity	12%
GICs	3%
Other	2%

KANSAS CITY, Kan. — As of Sept. 30, total benefit assets of the Board of Trustees, Boilermaker Blacksmith National Pension Trust decreased 4.6% to $2.128 billion from $2.23 billion a year earlier.

Equity managers: Fred Alger; Independence; Lazard Freres; McMorgan; Neuberger & Berman; Shields Asset; Sosnoff Associates; and Trust Co. of the West.

Fixed-income managers: Fred Alger; Financial Counselors; Lehman; Loomis, Sayles; McMorgan; Scudder; and TCW.

Real estate managers: Equitable; Karsten; Morgan Guaranty; New England; and Prudential.

Co-generation manager: TCW.

The master custodian is Brotherhood Bank & Trust; the investment consultant is Callan.

vestment management of the fund are Arthur E. Farr, chairman-investment committee; Charles Woelfer, chairman-board of trustees; and David Hanson, financial director.

BP America Inc.

	($ millions)
Total assets	1,883
Defined benefit	1,156
401(k)	727
Employer contributions	108
Benefit payments	156
In-house assets	
Equities	219
Fixed income	83
Short term	107
Passive investments	
Indexed stocks	191
Alternative investments	
International equities	152
Venture capital	25
Real estate equity	71
Hedging devices	
Fixed-income futures	Y
Defined benefit asset mix	
Stocks	65%
Bonds	15.8%
Cash equivalents	13.1%
Real estate equity	6.1%
Defined contribution asset mix	
Stocks	18.8%
Bonds	0.4%
Cash equivalents	0.2%
GICs	76.4%
Company stock	4.2%

CLEVELAND — As of Sept. 30, total employee benefit assets of BP America Inc., formerly The Standard Oil Co., decreased 3.2% to $1.883 billion from $1.946 billion. Defined benefit assets decreased 10.1% during the same period to $1.156 billion from $1.286 billion, and 401(k) plan assets increased 10.2% to $727 million from $660 million.

Equity managers: Domestic — Alliance Capital; United Capital; Value Line.

International — Baring International; Boston International; and Mellon Capital.

Fixed-income manager: Mellon Capital.

Real estate managers: First Chicago; Sentinel; and Trust Co. of the West.

Venture capital manager: Mitchell Hutchins.

The master trustee for the retirement plan is Bankers Trust, and for the savings plan, National City Bank; the global custodian is Bankers Trust; the investment consultant is Frank Russell.

Key personnel overseeing the investment management of the fund are E.J.P. Browne, executive vice president and chief financial officer; D.J. Atton, vice president-finance; and D.J. Hamilton, director-pension investments.

C

California Public Employees' Retirement System

	($ millions)
Total assets	45,940
Defined benefit	45,940
Employer contributions	2,134
Benefit payments	1,785
In-house assets	
Equities	16,686
Fixed income	21,468
Short term	864
Other	2,782
Passive investments	
Indexed stocks	4,109
Alternative investments	
Real estate equity	2,782
Mortgages	2,741
Mortgage-backed securities	8,200
Hedging devices	
Stock index futures	Y
Fixed-income futures	Y
Defined benefit asset mix	
Stocks	43.9%
Bonds	22.5%
Cash equivalents	3.6%
Real estate equity	6%
Mortgages	6%
Mortgage-backed securities	18%

SACRAMENTO — As of Sept. 30, California Public Employees' Retirement System total employee benefit assets and defined benefit assets increased 4.3% to $45.94 billion from

Equity managers: Domestic — Atalanta/Sosnoff; Batterymarch; Chancellor; Dimensional Fund; First Chicago; Lazard Freres; RCM; Roll and Ross; and TSA.

Real estate managers: Equitable; FIA, Hancock; Heitman; LaSalle; and TCW Realty.

The master custodian is Boston Safe Deposit & Trust; the investment consultant is Wilshire Associates.

Key personnel overseeing the investment management of the fund are Basil J. Schwan, acting chief investment officer; Walton R. Williams, principal investment officer.

California State Teachers' Retirement System

	($ millions)
Total assets	24.721
Defined benefit	24.721
Employer contributions	700
Benefit payments	1.775
In-house assets	
Short term	2.240
Passive investments	
Indexed stocks	9.290
Indexed bonds	4.633
Alternative investments	
Private placements	526
Real estate equity	855
Mortgages	684
Mortgage-backed securities	2.590
Defined benefit asset mix	
Stocks	46.9%
Bonds	27.8%
Cash equivalents	8.4%
Real estate equity	3.5%
Mortgages	2.8%
Mortgage-backed securities	10.6%

SACRAMENTO, Calif. — As of Sept. 30, the California State Teachers' Retirement System's total employee benefit assets increased 4.2% to $24.721 billion from $23.714 billion a year earlier. All the assets are defined benefit.

Equity managers: Barrow, Hanley; Denver Investment; Pilgrim, Baxter; Provident Investment; TCW Asset; Trinity; Wells Fargo; Wilmington Capital; and Wright Investors.

Fixed-income manager: Mitchell Hutchins.

Real estate managers: Equitable; Lehndorff & Babson; and TCW.

The master custodian is State Street Bank; the investment consultant is Wilshire Associates and the real estate consultant is Institutional Property Consultants.

Key personnel overseeing the investment management of the fund are Thomas E. Flanigan, chief investment officer and Sandra Martin-King, assistant chief executive officer-investments.

University of California

	($ millions)
Total assets	10.123
Defined benefit	9.153
Other	970
Employer contributions	256
Benefit payments	77
In-house assets	
Equities	6.834
Fixed income	2.319
Alternative investments	
Venture capital	271
Mortgage-backed securities	14
Defined benefit asset mix	
Stocks	75%
Bonds	25%

BERKELEY, Calif. — As of Sept. 30, the University of California's total employee benefit assets decreased 9.8% to $10.123 billion from $11.228 billion a year earlier. Defined benefit assets decreased 11.4% during the same period, to $9.153 billion from $10.329 billion. Assets in the 403(b) plan increased 7.8%, to $969.5 million from $899 million.

All of the assets are managed internally.

The master trustee is Security Pacific National Bank.

Key personnel overseeing the investment management of the fund are Herbert Gordon, treasurer, and Patricia Small, associate treasurer.

Caterpillar Inc.

	($ millions)
Total assets	4.138
Defined benefit	3.610
Defined contribution	373
Profit-sharing	4
401(k)	110
ESOP	41
Employer contributions	na
Benefit payments	na
Passive investments	
Indexed stocks	550
Dedicated/immunized	1.000
Alternative investments	
International equities	408
Oil and gas	14
Real estate equity	203
Hedging devices	
Stock index futures	Y
Fixed-income futures	Y
Defined benefit asset mix	
Stocks	52%
Bonds	35%
Cash equivalents	7%
Real estate equity	6%
Defined contribution asset mix	
Stocks	42%
Bonds	3%
Cash equivalents	4%
GICs	46%
Company stock	5%

PEORIA, Ill. — As of Sept. 30, Caterpillar Inc.'s total employee benefit assets decreased 6.4% to $4.138 billion from $4.423 billion a year earlier. Defined benefit assets decreased 5% during the same period, to $3.61 billion from $3.8 billion. Defined contribution assets decreased 23.3% to $373.5 million from $487 million a year earlier.

Equity managers: Domestic — Delaware; Jennison; Mellon Capital; Oppenheimer; PRIMECAP; and Trinity.

International — Baring; Fidelity; Mellon Capital; and Mercator.

Fixed-income managers: Chase Investors and J.P. Morgan.

Real estate managers: Aetna; Chase Investors; Citibank; First Chicago; and LaSalle Advisors.

The master trustee and global custodian is Northern Trust; the investment consultant is Frank Russell.

The key person overseeing the investment management of the fund is F.V. Dickinson, manager-risk management and employee benefit funds.

Chevron Corp.

	($ millions)
Total assets*	6.006
Defined benefit	3.810
Thrift or savings	2.196
Employer contributions	na
Benefit payments	na

*P&I Age estimate

SAN FRANCISCO — *Pensions & Investment Age* estimates that as of Sept. 30, Chevron Corp.'s total employee benefit assets decreased 13.1% to $6.006 billion from $6.912 billion a year earlier. *P&I Age* estimates the company's defined benefit assets decreased 6.3% during the same period, to $3.81 billion from $4.064 billion, while defined contribution assets decreased 22.9%, to $2.196 billion from $2.848 billion.

Equity managers: Domestic — Sanford Bernstein; Concord Partners II; Hellman & Friedman; Jennison; and KKR.

Fixed-income managers: Domestic — PIMCO; Starbuck, Tisdale & Williams; and State Street.

Real estate managers: Crocker; Prudential; RREEF; and Travelers.

Other managers: [illegible] Capital and Wells Fargo.

The master trustee for the defined benefit plan is Bankers Trust; for the profit-sharing and savings plan, the master trustee is Mellon Bank. The investment consultant is Frank Russell.

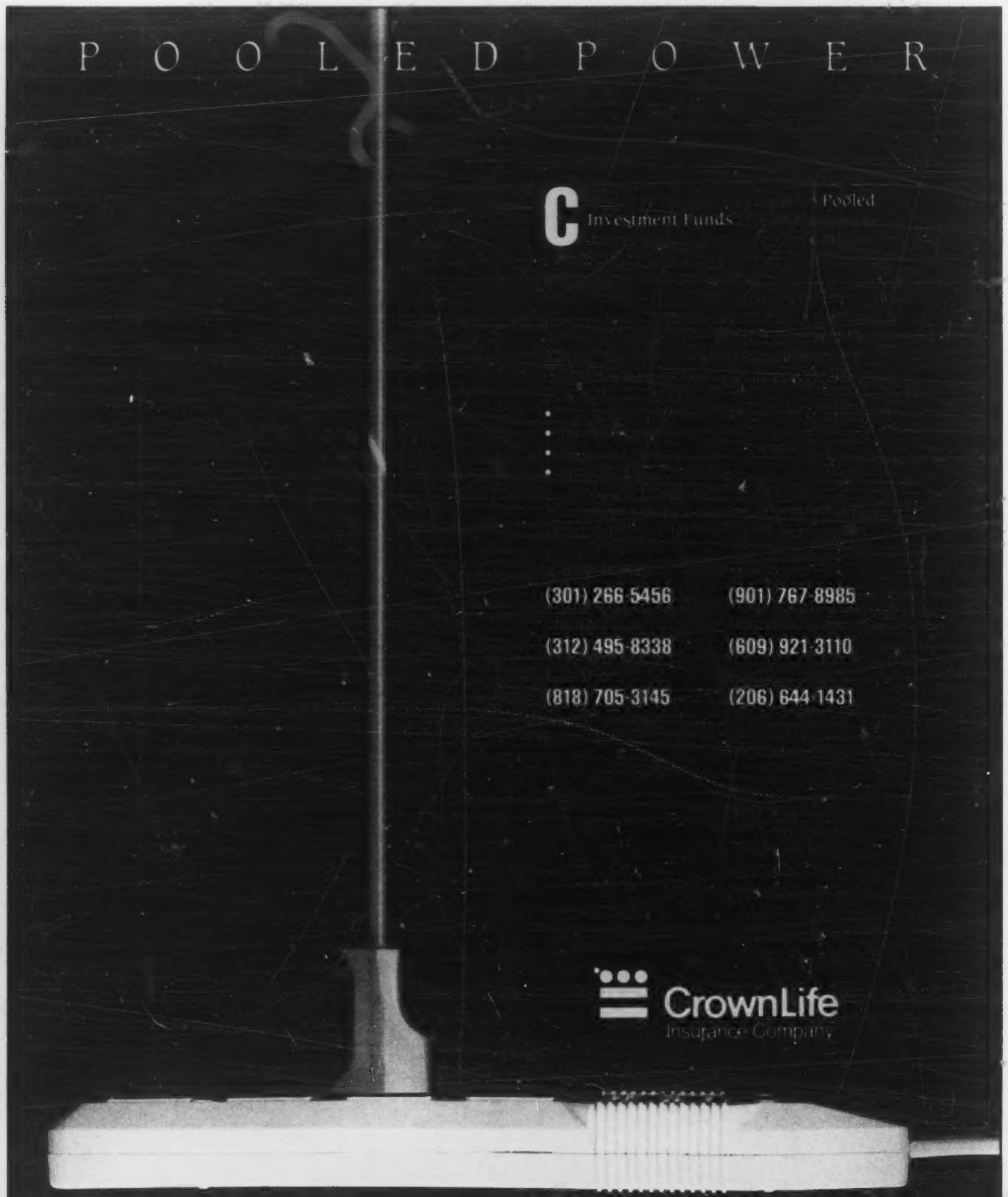
Key personnel overseeing the investment management of the fund are L.C. McGraw, vice president-finance; R.G. Williamson, assistant comptroller; and N.G. Darling, manager-investment analysis.

Municipal Annuity & Benefit Fund of Chicago

	($ millions)
Total assets*	1.600
Defined benefit	1.600
Employer contributions	100
Benefit payments	120

*book value

In-house assets	
Short term	68
Alternative investments	
International equities	71
Venture capital	54
Real estate equity	56
Mortgages	46
Mortgage-backed securities	75
Hedging devices	
Stock options	Y



Bonds	27%
Cash equivalents	22%
Real estate equity	4%
Mortgages	3%
Mortgage-backed securities	5%
Other	4%

CHICAGO — As of Sept. 30, the book value of the Municipal Annuity & Benefit Fund of Chicago's total employee benefit assets increased 3.6% to $1.6 billion from $1.545 billion a year earlier. All assets are defined benefit.

Equity managers: Domestic — Ariel; Bankers Trust; Chicago Asset; Hawthorne; and Oppenheimer Capital.

International — Frank Russell Trust.

Fixed-income managers: Alliance; Bankers Trust; First Chicago; and Trident.

Real estate managers: Aetna; Equitable; Prudential; and Trident Meyer.

Venture capital managers: Citicorp Investment; First Analysis; Mesirow Financial; and Pacific Inland.

The master custodian is Continental Illinois National Bank & Trust; the investment consultant is Becker, Burke Associates.

Key personnel overseeing the investment management of the fund are Thomas Stack, executive director; Michael Nehf, comptroller; Laima Milaitis, deputy executive director.

Public School Teachers' Pension and Retirement Fund of Chicago

	($ millions)
Total assets	2,981
Defined benefit	2,981
Employer contributions	145
Benefit payments	138
In-house assets	
Equities	943
Fixed income	1,294
Short term	744
Defined benefit asset mix	
Stocks	32%
Bonds	43%
Cash equivalents	25%

CHICAGO — As of Sept. 30, Public School Teachers' Pension and Retirement Fund of Chicago assets totaled $2.981 billion. All assets are in defined benefit plans.

All assets are managed internally, with Capital Supervisors serving in an advisory capacity.

The key person overseeing the investment management of the fund is James F. Ward, executive director.

Chrysler Corp.

	($ millions)
Total assets	4,414
Defined benefit	3,713
Thrift or savings*	441
401(k)*	167
ESOP*	93
Employer contributions	730
Benefit payments	480
*as of Dec. 31, 1987	
In-house assets	
Equities	158
Passive investments	
Indexed stocks	158
GICs	11
Alternative investments	
International equities	31
Real estate equity	88
Mortgages	3
Hedging devices	
Stock index futures	Y
Fixed-income futures	Y
Defined benefit asset mix	
Stocks	46%
Bonds	40%
Cash equivalents	12%
Real estate equity	2%

HIGHLAND PARK, Mich. — As of Sept. 30, Chrysler Corp.'s total employee benefit assets increased 4.5% to $4.414 billion from $4.225 billion a year earlier. Defined benefit assets increased 5% during the same period, to $3.713 billion from $3.535 billion.

Equity managers: Ariel; Associated Capital; Atalanta Sosnoff; Avatar; Bear Stearns; Sanford Bernstein; Chase; Columbus Circle; DBL; Fidelity Asset; Glickenhaus; Hahn Holland; John Hancock; Harris Associates; Hotchkis & Wiley; InterMedia; Investment Research; Leavy; Manufacturers National-Detroit; McKenzie Walker; Merrill Lynch; Mitchell Hutchins; Pacific Asset; Palley-Needelman; Perpetuity Asset; Reimer and Koger; Rothschild; Ruggles & Brainard; Fayez Sarofim; SHL Capital; TCW; and Veronis Suhler.

Fixed-income managers: Domestic — Aetna; Bankers Trust; Drexel Burnham; Irving Trust; Metropolitan Realty; J.P. Morgan; Morgan Petroleum Fund; Morgan Stanley; National Bank of Detroit; Travelers; TCW; and State Street Research.

Real estate managers: JMB; Prudential; RREEF; Shearson Lehman Hutton.

The master trustee is Bankers Trust.

Key personnel overseeing the investment management of the fund are F.W. Zuckerman, vice president and treasurer; J.L. Arpin, assistant treasurer; and R.P. Flynn, manager-pension fund investments.

CIGNA Corp.

	($ millions)
Total assets	1 454
Defined benefit	1 025
Defined contribution	59
Profit-sharing	90
Thrift or savings	280
Employer contributions	45
Benefit payments	46
In-house assets	
Equities	[illegible]
Fixed income	374
Short term	7
Other	90
Passive investments	
Indexed stocks	44
Alternative investments	
International equities	47
Private placements	60
Real estate equity	90
Hedging devices	
Stock index futures	Y
Defined benefit asset mix	
Stocks	54%
Bonds	36%
Cash equivalents	1%
Real estate equity	9%
Defined contribution asset mix	
Stocks	11%
Company stock	8%
Other	81%

PHILADELPHIA — As of Sept. 30, CIGNA Corp.'s total employee benefit assets increased 7.6% to $1.454 billion from $1.351 billion a year earlier. Defined benefit assets were unchanged at $1.025 billion. Defined contribution assets increased more than 1000% to $59 million from $5 million, while profit-sharing assets dropped 3.2% to $90 million from $93 million and savings plan assets increased 22.8% to $280 million from $228 million.

All plan assets are managed by affiliates of CIGNA.

Key personnel overseeing the investment management of the fund are James G. Stewart, executive vice president and chief financial officer, and George R. Trumbull, executive vice president and chief investment officer.

Public Employees Retirement Association of Colorado

	($ millions)
Total assets	7,591
Defined benefit	7,591
Employer contributions	287
Benefit payments	324
In-house assets	
Equities	2,386
Fixed income	2,520
Short term	120
Other	1,474
Passive investments	
Indexed stocks	327
GICs	623
Alternative investments	
International equities	895
Venture capital	15
LBOs	45
Private placements	57
Real estate equity	363
Mortgages	623
Mortgage-backed securities	927
Defined benefit asset mix	
Stocks	31%
Bonds	22.8%
Cash equivalents	4%
Real estate equity	5%
Mortgages	8%
Mortgage-backed securities	12.2%
GICs	4%
Other	13%

DENVER — As of Sept. 30, assets of the Public Employees Retirement Association of Colorado decreased 2.7% to $7.591 billion from $7.802 billion a year earlier.

Equity managers: International — Alliance; Baring International; First Chicago; Morgan Grenfell; Nomura; and Wertheim-Philippe.

Northern Trust is the master custodian and global custodian; the investment consultant is Capital Trust.

Key personnel overseeing the investment management of the fund are Norman Benedict, chief investment officer, and Terry Maltarich, director-fixed income.

Commonwealth Edison Co.

	($ millions)
Total assets	1,861
Defined benefit	1,861
Employer contributions	na
Benefit payments	na
In-house assets	
Equities	616
Fixed income	741
Short term	209
Passive investments	
Indexed stocks	196
Alternative investments	
International equities	26
International bonds	15
Private placements	4
Mortgage-backed securities	135
Hedging devices	
Stock index futures	Y
Defined benefit asset mix	
Stocks	48%
Bonds	34%
Cash equivalents	11%
Mortgage-backed securities	7%

CHICAGO — As of Sept. 30, Commonwealth Edison Co.'s defined benefit assets decreased 4.6% to $1.861 billion from $1.951 billion a year earlier. All of the assets are defined benefit.

The bulk of the assets, $1.566 billion, is managed internally. The balance is run by various commingled fund and mutual fund managers, which Commonwealth Edison officials declined to identify.

The master custodian is Northern Trust.

Key personnel overseeing the investment management of the fund are H.R. Carlson, manager of investments; J.A. Cerney, equity portfolio manager; and R.P. Schwartz, fixed-income and operations manager.

The State of Connecticut Trust Funds

	($ millions)
Total assets	6,236
Defined benefit	6,236
Employer contributions	800
Benefit payments	na
In-house assets	
Fixed income	890
Short term	336
Passive investments	
Indexed stocks	700
GICs	35
Alternative investments	
International equities	272
Venture capital	21
Real estate equity	912
Mortgages	121
Defined benefit asset mix	
Stocks	45%
Bonds	34%
Cash equivalents	5%
Real estate equity	15%
GICs	1%

HARTFORD, Conn. — As of Sept. 30, The State of Connecticut Trust Funds' total employee benefit assets increased 8.7% to $6.236 billion from $5.736 billion a year earlier.

Equity managers: Domestic — Aetna; Ariel; Bankers Trust; Capital Guardian; Concord Capital; Connecticut National; Franklin; New England Asset Management; One Lewis Street; Oppenheimer; Phoenix Mutual; Roanoke; and Wright.

International — Boston International; Capital Guardian; Fidelity; Nomura; Schroder.

Fixed-income managers: Bear Stearns; Loomis Sayles; PIMCO; Standish, Ayer; State Street Research; and STW.

Real estate managers: Aetna; Aldrich, Eastman & Waltch; CIGNA; Copley; Hancock; Heitman; JMB; J.P. Morgan; Phoenix; Public Storage; RREEF; and TCW.

The master trustee and global custodian is Boston Safe Deposit; the investment consultant is Buck.

Key personnel overseeing the investment management of the fund are Frances Borges, state treasurer, and Frank McDermott, assistant treasurer-investments.

Consolidated Edison Co. of New York

	($millions)
Total assets	2,549
Defined benefit	2,549
Employer contributions	75
Benefit payments	115

NEW YORK — As of Sept. 30, Consolidated Edison Co. of New York's total employee benefit assets decreased 10.7% to $2.549 billion from $2.853 billion a year earlier. All the assets are in a defined benefit plan.

Company officials declined to release any further information.

The key person overseeing the investment management of the fund is John N. Bell, assistant treasurer.

D

Deere & Co.

	($ millions)
Total assets	2,300
Defined benefit	2,150
401(k)	150
Employer contributions	29
Benefit payments	180
In-house assets	
Equities	1,375
Fixed income	425
Passive investments	
Indexed stocks	1,000
Dedicated/immunized	425
Alternative investments	
International equities	50
Venture capital	30
Real estate equity	30
Defined benefit asset mix	
Stocks	74.6%
Bonds	19.7%
Cash equivalents	2.7%
Real estate equity	1.5%
Venture capital	1.5%
Defined contribution asset mix	
GICs	78%
Company stock	5%
Other	17%

MOLINE, Ill. — As of Sept. 30, Deere & Co. had total employee benefit assets of $2.3 billion. Defined benefit assets were $2.15 billion and defined contribution assets were $150 million. A meaningful comparison with year-earlier figures was not possible.

Equity managers: Domestic — Batterymarch and J.P. Morgan.

International — J.P. Morgan.

Real estate manager: J.P. Morgan.

The master trustee and global custodian for the defined benefit plan is Boston Safe; the custodian for the 401(k) plan is State Street Bank; the investment consultant is Irwin Tepper Associates.

Key personnel overseeing the investment management of the fund are Dennis R. Schwartz, assistant treasurer-investments, and Carl Liebscher, director-investments.

State of Delaware

	($ millions)
Total assets*	1,369
Defined benefit	1,369
Employer contributions	62
Benefit payments	61
*as of June 30, 1988	
Passive investments	
Indexed stocks	197
Indexed bonds	290
Alternative investments	
International equities	29
International bonds	45
Venture capital	46
Real estate equity	9
Mortgage-backed securities	141
Hedging devices	
Stock index futures	Y
Fixed-income futures	Y
Defined benefit asset mix	
Stocks	40.1%
Bonds	31.4%
Cash equivalents	14.1%
Real estate equity	0.7%
Mortgage-backed securities	10.3%
Other	3.4%

DOVER, Del. — As of June 30, the State of Delaware's total employee benefit assets increased 5.3% to $1.369 billion from $1.3 billion a year earlier. All the assets are defined benefit.

Equity managers: Domestic — Alliance; Equity Link; Froley, Revy; Lincoln Capital; Mellon Capital; T. Rowe Price; TCW; Trinity Investment; and Wells Fargo Bank.

International — Batterymarch.

Fixed-income managers: Domestic — Mellon Capital; Weiss, Peck & Greer; and Wells Fargo Bank.

International — N.M. Rothschild and Rowe Price-Fleming.

Real estate managers: Aetna; Citibank; and John Hancock.

Other managers: Accel Partners; Arscott Norton; Brentwood Associates; Cherry Tree Venture; Dougery Jones & Wilder; Fidelity Daily Income Trust; Julian Cole & Stein; Morgan Holland; T. Rowe Price Threshold Fund; Scudder Cash Reserves; Spectra Enterprises; and Summit Venture.

The master custodian is Mercantile Safe-Deposit; the investment consultant is Ashford Capital.

Key personnel overseeing the investment management of the fund are Bruce O. Kallos, chairman-investment committee; Theodore H. Ashford, investment committee executive secretary; and Ernest Dannemann, chairman-board of pension trustees.

Delta Air Lines Inc.

	($ millions)
Total assets	3,296
Defined benefit	2,746
Thrift or savings	550
Employer contributions	200
Benefit payments	60
In-house assets	
Equities	100
Fixed income	200
Passive investments	
GICs	18
Alternative investments	
International equities	200
Venture capital	40
LBOs	50
Real estate equity	35
Mortgage-backed securities	50
Hedging devices	
Stock options	Y
Stock index futures	Y
Defined benefit asset mix	
Stocks	55%
Bonds	23.2%
Cash equivalents	15%
Real estate equity	1%
Mortgage-backed securities	1.8
GICs	1%
Other	3%

ATLANTA — As of Sept. 30, Delta Air Lines Inc.'s total employee benefit assets increased 4.6% to $3.296 billion from $3.15 billion. Defined benefit assets decreased 0.1% during the same period, to $2.746 billion from $2.75 billion.

Delta declined to identify its money managers. According to the 1989 Money Market Directory, they are Globe Finlay; Harris Trust; Metropolitan Life; and Richards & Tierney.

The master trustee is Harris Trust.

Key personnel overseeing the investment management of the fund are Jim Taylor, assistant vice president-investment management, and Jim Mathews, manager-investment management.

City of Detroit Retirement Systems

	($ millions)
Total assets*	3,291
Defined benefit	2,802
Defined contribution	489
Employer contributions	157
Benefit payments	186
*book value as of June 30, 1988	
In-house assets	
Fixed income	15
Short term	35
Passive investments	
Indexed stocks	45
GICs	380
Alternative investments	
International equities	16
International bonds	41
Other international	3
Private placements	485
Real estate equity	62
Mortgages	482
Mortgage-backed securities	114
Consolidated asset mix	
Stocks	26%
Bonds	18%
Cash equivalents	11%
Real estate equity	2%
Mortgages	13%
Mortgage-backed securities	3%
GICs	12%
Other	15%

DETROIT — The book value of the total employee benefit assets of the City of Detroit Retirement Systems, composed of the General Retirement System and the Police & Fire Retirement System, increased 11.6% to $3.291 billion as of June 30, up from $2.948 billion a year earlier. Defined benefit assets increased 11.2% during the same period, to $2.802 billion from $2.52 billion. Defined contribution assets increased 14.3%, to $489 million from $428 million.

Equity managers: Domestic —

AFA; Ariel; Bankers Trust; Boston Co. of Southern California; Comerica; Harbor; Loomis, Sayles; Manufacturers Bank, Detroit; Marquette Capital; Munder; Oppenheimer Capital; Putnam; and Scudder, Stevens, Clark.

International — Citibank, London.

Fixed-income managers: Domestic — Boston Co. of Southern California; Harbor; Loomis, Sayles; Marquette Capital; Munder; Oppenheimer; Putnam; and Scudder, Stevens, Clark.

International — Putnam.

Real estate managers: Mellon Real Estate and Mortgage Investors.

The master custodian for the general system is Comerica; the police and fire system uses Manufacturers Bank. The investment consultant for both systems is Prudential-Bache.

Key personnel overseeing the investment management of the funds are Thomas Zdrodowski, administrative supervisor, and Nicholas Degel, assistant administrative supervisor.

Digital Equipment Corp.

	($ millions)
Total assets	1,398
Defined benefit	1,219
401(k)	179
Employer contributions	48
Benefit payments	6
In-house assets	
Equities	410
Other	7
Passive investments	
Indexed stocks	259
Indexed bonds	100
Alternative investments	
International equities	36
Venture capital	7
Real estate equity	154
Hedging devices	
Stock options	Y
Stock index futures	Y
Fixed-income futures	Y
Defined benefit asset mix	
Stocks	62%
Bonds	15%
Cash equivalents	10%
Real estate equity	13%

ACTON, Mass. — As of Sept. 30, Digital Equipment Corp.'s total employee benefit assets increased 5.7% to $1.398 billion from $1.322 billion a year earlier. Defined benefit assets increased 1.5% during the same period, to $1.219 billion from $1.201 billion. The 401(k) assets increased 47.9%, to $179 million from $121 million.

Equity managers: Domestic — Alliance; Bankers Trust, and Capital Guardian.

International — Boston International and Capital Guardian.

Fixed-income managers: Bankers Trust and Jennison.

Real estate manager: Aldrich, Eastman & Waltch.

The master trustee is Boston Safe Deposit.

The key person overseeing the investment management of the fund is A. Raymond Schmalz, manager-U.S. pension fund.

The Dow Chemical Co.

	($ millions)
Total assets*	2,924

*P&I Age estimate

MIDLAND, Mich. — As of Sept. 30, The Dow Chemical Co.'s total employee benefit assets increased 1.2% to $2.924 billion from $2.89 billion a year earlier, *Pensions & Investment Age* estimates.

E.I. du Pont de Nemours & Co.

	($ millions)
Total assets	16,489
Defined benefit	11,570
Thrift or savings	4,531
401(k)	111
SESOP & TRASOP	277
Employer contributions	103
Benefit payments	639
In-house assets	
Equities	5,448
Fixed income	2,275
Short term	3,783
Other	64
Passive investments	
Indexed stocks	1,531
Alternative investments	
International equities	297
International bonds	749
Venture capital	53
Private placements	26
Real estate equity	64
Mortgage-backed securities	666
Hedging devices	
Stock options	Y
Bond options	Y
Stock index futures	Y
Fixed-income futures	Y
Defined benefit asset mix	
Stocks	47%
Bonds	14%
Cash equivalents	32%
Real estate equity	1%
Mortgage-backed securities	6%

WILMINGTON, Del. — As of Sept. 30, E.I. du Pont de Nemours & Co.'s total employee benefit assets decreased 2.2% to $16.489 billion from $16.868 billion a year earlier. During the same period, defined benefit assets decreased 5.9% to $11.57 billion from $12.3 billion. Thrift/savings plan assets increased 21.5% to $4.531 billion from $3.728 billion a year earlier.

All the defined benefit assets are managed internally.

The primary master trustee is Wilmington Trust Co.; the global custodian is Chase Manhattan Bank.

Key personnel overseeing the investment management of the fund are Keith E. Tucker, vice president; Edward J. Bassett, director, equity investments; and Larry R. Starett, director, fixed-income investments.

Pensions & Investment Age will examine structured investing Feb. 20.

E

Eastern Air Lines Inc.

	($ millions)
Total assets	2,041
Defined benefit	1,200
Defined contribution	841
Employer contributions	71
Benefit payments	na
Passive investments:	
GICs	540
Alternative investments:	
Real estate equity	120
Defined benefit asset mix:	
Stocks	30%
Bonds	5%
Cash equivalents	10%
Real estate equity	10%
GICs	45%
Defined contribution asset mix:	
Stocks	75%
Other	25%

MIAMI — As of Sept. 30, Eastern Air Lines Inc.'s total employee benefit assets decreased 20.4% to $2.041 billion from $2.565 billion a year earlier. Defined benefit assets decreased 20% during the same period, to $1.2 billion from $1.5 billion. Assets in the Eastern Air Lines Variable Benefit Plan for Pilots, a defined contribution plan, decreased 21% to $841 million from $1.065 billion.

The asset mixes for both the defined benefit plan and the defined contribu-

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tion plan are as of Jan. 1, 1988.

Investment managers for the defined benefit assets were: Delafield; Delaware; Equitable Real Estate; Forstmann-Leff; INVESCO; Northern Investment; Pacific Financial; Prudential Asset; Solomon; and Templeton.

Key personnel overseeing the investment management of the fund are Joseph L. Fromm, director-pension asset management; Rolf S. Andresen, chief financial officer; and Richard A. Schroeter, vice president and treasurer.

Money managers for the pilots' variable benefit plan were:

Equity managers: Atlantic Century; Brandywine; Campbell Advisors; Capital Guardian; Cramer Rosenthal McGlynn; Hawthorne Associates; National Investment Services; Waite & Correnti; and Wellington.

Fixed-income managers: Capital Guardian and Hawthorne.

Real estate managers: Hawthorne and NCNB.

The custodian for the pilots' plan is State Street.

Key personnel overseeing the investment management of the fund are Charles G. Dyer, director; N. Allen Taylor, director, real estate; and Wayne D. Wetzel Jr., executive vice president.

Eastman Kodak Co.

	($ millions)
Total assets*	7,825
Defined benefit	5,900
401(k)	1,925
Employer contributions	na
Benefit payments	na

**P&I Age* estimate

Alternative investments	
Real estate equity	400
Hedging devices	
Stock options	Y
Stock index futures	Y
Fixed-income futures	Y
Defined benefit asset mix	
Stocks	65%
Cash equivalents	5%
Real estate equity	7%
Annuities	18%
Other	5%
Defined contribution asset mix	
Stocks	6%
GICs	79%
Company stock	15%

ROCHESTER, N.Y. — As of Sept. 30, Eastman Kodak Co.'s total employee benefit assets decreased 5.3% to $7.825 billion from $8.264 billion a year earlier, according to *Pensions & Investment Age* estimates. Defined benefit assets decreased 11.2% during the same period, to $5.9 billion from $6.643 billion. 401(k) assets increased 18.8%, to $1.925 billion from $1.621 billion.

Managers as of Dec. 31, 1987, were:

Equity managers: Domestic — American National Bank, Chicago; Analytic; Baker, Nye; Sanford C. Bernstein; Boston Safe Deposit; Brignoli, Curley & Roberts; Fidelity Management Trust; McKenzie Walker; Neuberger and Berman; T. Rowe Price; PRIMECAP; Rogers, Casey & Barksdale; Rosenberg Institutional; TCW; Value Line; and Waddell & Reed.

Global — Rogers, Casey & Barksdale and Templeton.

Real estate managers: Aetna; Copley; Equitable; Goldman Sachs; JMB; Lehndorff & Babson; National Life Insurance; PCA Tishman Speyer; PSI Institutional; and RREEF.

Foreign exchange managers: Bankers Trust and FX Concepts.

Annuities manager: Metropolitan Life.

Tactical asset allocator: Boston Co.

Capital growth manager: John Hancock.

LBO managers: Forstmann Little and Nightingale Atlantic.

Venture capital manager: Horsley, Keogh.

Managed futures manager: Mount Lucas.

Oil & gas managers: Chase Investors and J.P. Morgan.

Cash manager: Discount Corp. of New York.

Other: Evaluation Associates.

Boston Safe Deposit is the master trustee and global custodian.

Key personnel overseeing the investment management of the fund are Russell L. Olson, director-pension investments, and A. Duff Lewis Jr., pension investment coordinator.

Church Pension Fund (Episcopal)

	($ millions)
Total assets	1,470
Defined benefit	1,470
Employer contributions	47
Benefit payments	48
In-house assets	
Equities	9
Fixed income	20
Short term	1
Alternative investments	
International equities	40
Private placements	15
Real estate equity	14
Hedging devices	
Stock index futures	Y
Defined benefit asset mix	
Stocks	54%
Bonds	40%
Cash equivalents	5%
Real estate equity	1%

NEW YORK — As of Sept. 30, total employee benefit assets of the Church Pension Fund (Episcopal) decreased 1.2% to $1.47 billion from $1.488 billion a year earlier.

Equity managers: Domestic — Alliance and J.P. Morgan.

International — J.P. Morgan.

Fixed-income managers: Domestic — Alliance and J.P. Morgan.

International — J.P. Morgan.

Real estate manager: J.P. Morgan.

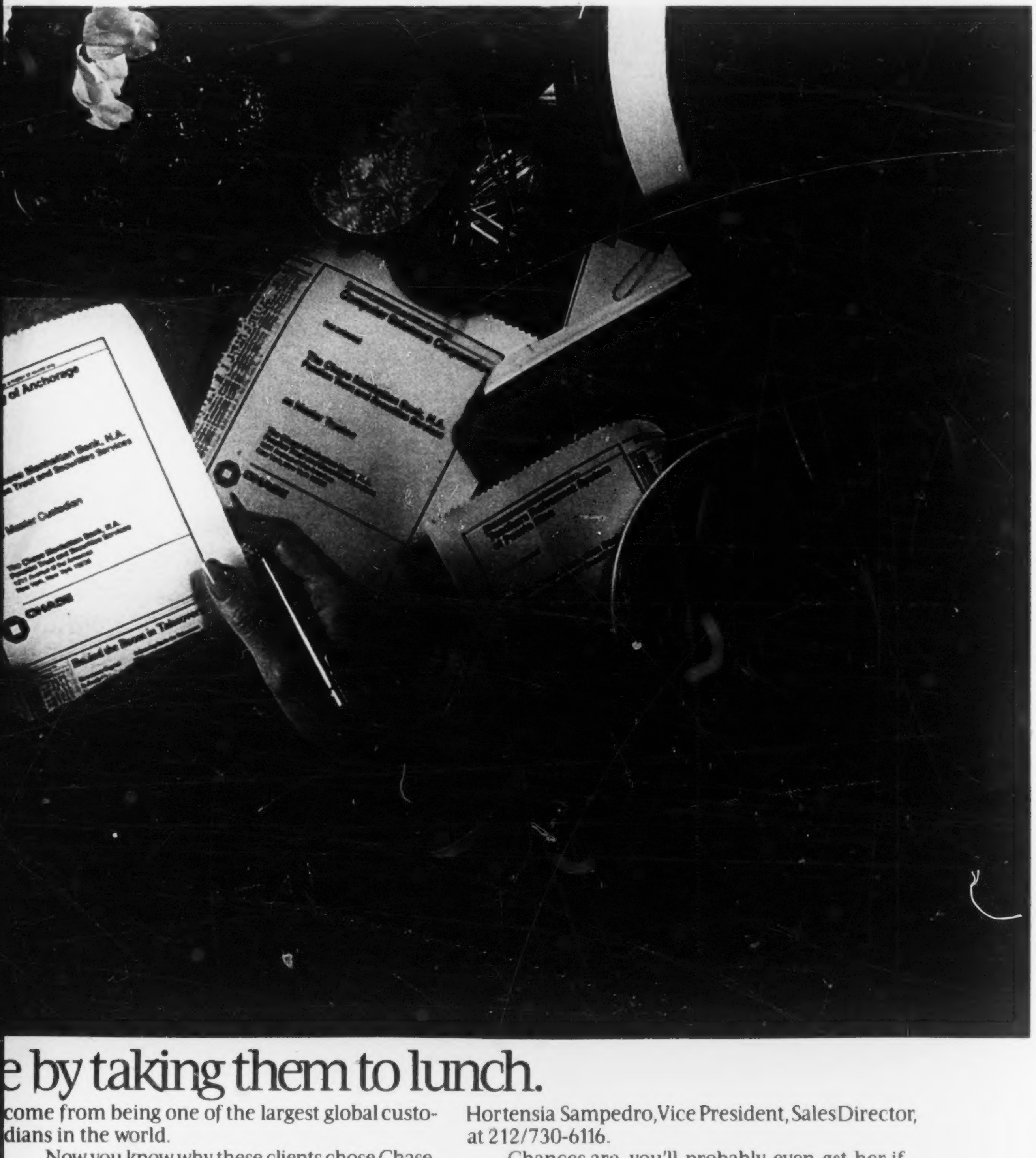
The master trustee is J.P. Morgan.

Key personnel overseeing the investment management of the fund are Robert A. Robinson, president, and Eric T. Lexow, senior vice president.

Exxon Corp.

	($ millions)
Total assets	7,609
Defined benefit	3,498
Thrift or savings/401(k)	4,026
ESOP	85
Employer contributions	93
Benefit payments	340
In-house assets	
Equities	920
Fixed income	226
Short term	39
Passive investments	
Indexed stocks	1,717
Indexed bonds	396
Alternative investments	
International equities	320
Venture capital	70
Oil and gas	33
Real estate equity	370
Mortgage-backed securities	114
Hedging devices	
Stock index futures	Y
Defined benefit asset mix	
Stocks	61%
Bonds	14.8%
Cash equivalents	1%
Real estate equity	10%
Mortgage-backed securities	3.2%
Annuities	9%
Other	1%

NEW YORK — As of Sept. 30, Exxon Corp.'s total employee benefit assets decreased 10.5% to $7.609 billion from $8.505 billion a year earlier. Defined benefit assets decreased 11.8% during the same period, to



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$3.498 billion from $3.965 billion and thrift or savings/401(k) plan assets increased 2.4% to $4.026 billion from $3.933 billion.

Equity managers: Sanford C. Bernstein; Fidelity Management Trust; Horsley Keogh; Trinity Investment; and Wells Fargo.

International — State Street Bank.

Fixed-income managers: Chase Investors; Lehman; State Street Research.

Real estate managers: Aetna; Corporate Property Investors; Equitable; NCNB; and Prudential.

Insured reserves managers: Aetna; Equitable; John Hancock; Prudential, and Travelers.

Royalties managers: First City National Bank of Houston and Louisiana National Bank.

The master trustee is Irving Trust; the global custodian is State Street Bank.

Key personnel overseeing the investment management of the fund are W. Allen Harrison, assistant treasurer, James E. Bayne, manager-trust and benefits finance; and Jonathan P. Mason, staff financial analyst.

F

Federal Retirement Thrift Investment Board

	($ millions)
Total assets	2,271
Defined contribution	2,271
Employer contributions	445
Benefit payments	11
Defined contribution asset mix	
Stocks	0.2%
Bonds	0.1%
Cash equivalents	99.7%

WASHINGTON — As of Sept. 30, the 18-month-old Federal Retirement Thrift Investment Board's total employee benefit assets increased 209% to $2.271 billion from $736 million a year earlier. All of the assets are in a defined contribution plan.

The master custodians are the U.S. Treasury Department and Wells Fargo Bank.

Key personnel overseeing the investment management of the fund are Peter B. Mackey, director-investments, Alison L. Doone, deputy director-investments, and Monica L. Spaulding, financial analyst.

Federated Department Stores Inc.

	($ millions)
Total assets*	1,810

**P&I Age estimate*

CINCINNATI — As of June 30, Federated Department Stores Inc.'s total employee benefit assets increased to $1.81 billion with the addition of Allied Stores' pension fund, according to *Pensions & Investment Age* estimates.

According to Money Market Directory, the investment managers for the plans were:

Managers: Boston Safe; Chancellor; CIGNA; Cooke & Bieler; General American Investors; Harris Associates; Jundt/Capen; Loomis, Sayles; Mackay-Shields; Mellon Capital; The New England; Northern Trust; Payden & Rygel; Sit Investment; TCW; and Wells Fargo.

The master trustees for Federated's plans are Boston Safe Deposit and Northern Trust; the master custodian for Allied Stores' profit-sharing plan is Manufacturers Hanover. Rogers, Casey and Barksdale is the consultant.

Key personnel overseeing the investment management of the fund are Susan M. Brakers, assistant treasurer, and Jim Tobin, director-retirement plans.

Florida State Board of Administration

	($ millions)
Total assets*	14,411
Defined benefit	14,411
Employer contributions	1,328
Benefit payments	588

*as of June 30, 1988

In-house assets:	
Equities	2,277
Fixed income	5,444
Short term	534
Other	7
Passive investments:	
Indexed stocks	3,320
GICs	71
Alternative investments:	
Private placements	47
Real estate equity	577
Mortgage-backed securities	1,400
Hedging devices:	
Stock options	Y
Stock index futures	Y
Fixed-income futures	Y
Defined benefit asset mix:	
Stocks	41.8%
Bonds	37.7%
Cash equivalents	6.3%
Real estate equity	4%
Mortgage-backed securities	9.7%
GICs	0.5%

TALLAHASSEE, Fla. — As of June 30, the Florida State Board of Administration's total pension assets increased 5.2% to $14.411 billion from $13.7 billion a year earlier.

Equity managers: Fred Alger; Alliance; Ariel; Barnett Banks; Barrow, Hanley; Bear, Stearns; Delaware; Denver; Eagle; IDS Growth; INVESCO Capital; Lazard Corporate Partners; Lazard Freres; Prudential Asset; Stein Roe; Sun Banks; Wells Fargo; and Westwood.

Fixed-income manager: Alliance.

Real estate managers: Aetna; Equitable; First Chicago; Goldman, Sachs; John Hancock; JMB; LaSalle; Lehndorff & Babson; and Prudential.

Citicorp is the master and global custodian; the investment consultant is SEI.

Key personnel overseeing the investment management of the fund are Cliff Hinkle, executive director; William O. Bell, chief of management policy; and Lan Janecek, chief of equities.

Ford Motor Co.

	($ millions)
Total assets	19,650
Defined benefit	15,100
Thrift or savings/401(k)	3,800
TRASOP	750
Employer contributions	1,000
Benefit payments	1,000
In-house assets:	
Fixed income	1,000
Passive investments:	
Indexed stocks	2,500
Indexed bonds	200
GICs	1,500
Alternative investments:	
International equities	500
International bonds	200
Venture capital	50
Oil and gas	25
Real estate equity	500
Mortgages	25
Mortgage-backed securities	250
Hedging devices:	
Stock options	Y
Bond options	Y
Stock index futures	Y
Fixed-income futures	Y
Defined benefit asset mix:	
Stocks	57%
Bonds	28.3%
Real estate equity	3%
Mortgage-backed securities	1.7%
GICs	10%
Defined contribution asset mix:	
Stocks	10%
Cash equivalents	6%
GICs	25%
Company stock	59%

DEARBORN, Mich. — As of Sept. 30, Ford Motor Co.'s total employee benefit assets decreased 0.8% to $19.65 billion from $19.8 billion a year earlier. Defined benefit assets decreased 3.8% during the same period, to $15.1 billion from $15.7 billion. The thrift or savings/401(k) plan assets increased 11.8%, to $3.8 billion from $3.4 billion.

Equity managers: Alliance; Ariel; Sanford C. Bernstein; Capital Guardian; Chase Investors; Concord; Dewey Square; Dreman; Fidelity; Manufacturers National; Mitchell Hutchins; J.P. Morgan; PRIMECAP; Fayez Sarofim; and State Street Research.

Fixed-income managers: Capital Guardian; Dewey Square; J.P. Morgan; T. Rowe Price; Sarofim; State Street Research; and Wells Fargo.

Real estate managers: Aetna; Bank of Boston; CIGNA; Equitable; JMB; LaSalle; J.P. Morgan; NCNB; Public Storage; Sentinel; and TCW.

The master trustee is Manufacturers National Bank of Detroit.

Key personnel overseeing the investment management of the fund are P.E. Sharp, assistant treasurer, and M.E. Maertens, manager-trust investments.

FPL Group Inc.

	($ millions)
Total assets	1,803
Defined benefit	1,231
Defined contribution	161
Thrift or savings	411
Employer contributions	0
Benefit payments	17
Passive investments:	
Indexed bonds	195
Alternative investments:	
International equities	56
Real estate equity	82
Defined benefit asset mix:	
Stocks	65.3%
Bonds	25.7%
Cash equivalents	1.8%
Real estate equity	7.2%
Defined contribution asset mix:	
Stocks	71%
Bonds	29%

NORTH PALM BEACH, Fla. — As of Sept. 30, total employee benefit assets of FPL Group Inc., formerly Florida Power & Light, increased 3.3% to $1.803 billion from $1.746 billion a year earlier. Defined benefit assets increased 1.6% during the same period, to $1.231 billion from $1.212 billion. Thrift/savings plan assets increased 14.5% to $411 million from $359 million.

Equity managers: Domestic — General American; J.P. Morgan; Roanoke; Fayez Sarofim; Donald Smith; and Wells Fargo.

International — J.P. Morgan and RCB Trust.

Fixed-income managers: Wells Fargo and Western Asset.

Real estate managers: CFCL; JMB; John McMahan; and RREEF.

The master trustee is First Wachovia; the investment consultant is Rogers Casey & Barksdale.

Key personnel overseeing the investment management of the fund are Robert R. Sears, treasurer; and Robert L. McGrath, manager.

G

GenCorp Inc.

	($ millions)
Total assets	1,683
Defined benefit	1,388
Thrift or savings/401(k)	284
ESOP	11
Employer contributions	na
benefit payments	na
In-house assets	983

FAIRLAWN, Ohio — As of Sept. 30, GenCorp Inc.'s total employee benefit assets decreased 5.3% to $1.683 billion from $1.777 billion a year earlier. Defined benefit assets decreased 0.6% during the same period, to $1.388 billion from $1.396 billion.

Equity managers: J.P. Morgan; Round Hill; and Wilkens & Nanovic.

Fixed-income managers: J.P. Morgan; Round Hill; and Wilkens & Nanovic.

Real estate managers: Landauer and RREEF.

Master custodians are First National Bank of Ohio, Bank of America and the International Trust Co. of Canada.

Key personnel overseeing the investment management of the fund are John O'Neil, chairman-investment boards; Robert M. Smith, vice chairman-investment boards; and Phyllis M. Chelovitz, member-investment boards.

General Dynamics Corp.

	($ millions)
Total assets	5,000
Defined benefit	3,300
Defined contribution	1,700
Employer contributions	115
Benefit payments	100
In-house assets:	
Equities	330
Fixed income	1,390
Short term	160
Other	120
Passive investments:	
Indexed stocks	230
Indexed bonds	240
GICs	120
Alternative investments:	
Mortgage-backed securities	115
Defined benefit asset mix:	
Stocks	36.5%
Bonds	46.4%
Cash equivalents	10%
GICs	3.6%
Mortgage-backed securities	3.5%
Defined contribution asset mix:	
Stocks	11.5%
Bonds	19.5%
GICs	59.2%
Company stock	9.8%

ST. LOUIS — As of Sept. 30, General Dynamics Corp.'s total employee benefit assets increased 4.2% to $5 billion from $4.8 billion a year earlier. Defined benefit assets increased 3.1% during the same period, to $3.3 billion from $3.2 billion. Defined contribution assets increased 6.3%, to $1.7 billion from $1.6 billion.

Equity managers: Alliance; Ardsley Partners; Daniel Breen; Campbell Advisors; Delaware Investment; Jennison Associates; Lazard Freres; Miller, Anderson; J.P. Morgan; Rosenberg Institutional; SASCO; Trinity Investment; and Wells Fargo.

Fixed-income managers: Bank IV; Centerre Trust; and Discount Advisers.

GIC managers: Aetna; Equitable; Hancock; and Travelers.

The master trustee is Chase Manhattan Bank.

Key personnel overseeing the investment management of the fund are Charles D. Walbrandt, staff vice president-trust investment operation; and Rebecca J. Roesch, manager-trust investment operation.

General Electric Co.

	($ millions)
Total assets	25,300
Defined benefit	21,100
Thrift or savings/401(k)	4,100
ESOP	100
In-house assets:	
Equities	8,400
Fixed income	5,200
Short term	1,900
Other	4,000
Passive investments:	
Indexed stocks	3,700
Dedicated/immunized	2,000
GICs	600
Alternative investments:	
International equities	1,200
International bonds	700
Venture capital	300
Private placements	1,400
Real estate equity	1,900
Mortgages	400
Hedging devices:	
Stock options	Y
Bond options	Y
Stock index futures	Y
Fixed-income futures	Y
Defined benefit asset mix:	
Stocks	46%
Bonds	26%
Cash equivalents	9%
Real estate equity	9%
Mortgages	1.9%
Other	8.1%
Defined contribution asset mix:	
Stocks	33%
Bonds	66%
Cash equivalents	1%

STAMFORD, Conn. — As of Sept. 30, General Electric Co.'s total employee benefit assets decreased 7.3% to $25.3 billion from $27.3 billion a year earlier. Defined benefit assets decreased 4.5% during the same period to $21.1 billion from $22.1 billion, and thrift or savings/401(k) plan assets dropped 12.8% to $4.1 billion from $4.7 billion.

Ninety-two percent of the defined benefit assets are managed internally by GE Investment Corp. External managers are used in selected areas but GE declined to identify them.

The master custodian of the GE plan is Chase Manhattan; master trustee of the RCA plan is Bankers Trust. The global custodian is Chase Manhattan.

Key personnel overseeing the investment management of the fund are D.F. Frey, vice president and treasurer of GE Co. and chairman of the board and president of GEIC; A.S. Bahr, executive vice president-equity investments; and J.H. Myers, executive vice president-fixed income and corporate investments.

General Motors Corp.

	($ millions)
Total assets	37,600
Defined benefit	32,500
Thrift or savings/401(k)	4,900
Other	200
Employer contributions	na
Benefit payments	na

Largest union funds

Fund	Assets $ millions
Teamsters, Central States	8,469
Teamsters, Western	8,000
UMWA	4,700
Nat'l Electrical/IBEW	3,045
Boilermaker Blacksmith	2,128
Hospital & Healthcare Workers	1,888
Bakery & Confectionery	1,849
Int'l Operating Engineers	1,832
Plumbers, Nat'l Headquarters	1,658
Southern California UFCW	1,464
IAM Nat'l	1,438
Sheet Metal Workers	1,408
Total	**37,879**

NEW YORK — As of Sept. 30, General Motors Corp.'s total employee benefit assets decreased 6% to $37.6 billion from $40 billion a year earlier. Defined benefit assets decreased 6.9% during the same period, to $32.5 billion from $34.9 billion. Thrift or savings/401(k) plan assets remained the same at $4.9 billion.

Managers: ABD International; Aetna; Aldrich Eastman & Waltch; American National Bank/Chicago; Ameritrust; Associated Capital; Bankers Trust; Baring America; Baring International; Barrow, Hanley; Batterymarch; BEA; Beekman; Boston Co. Energy; Boston Co. Real Estate; Capital Guardian; Chase Manhattan; Citibank; Daiwa International; Delaware; Dimensional Fund; Fidelity International; Fidelity Management; First National Bank/Boston; First Chicago; NCNB Texas; Franklin Portfolio; Frontier Capital; G.T. Capital; Harris Trust; Hill Samuel; W.R. Huff; INVESCO Capital; Jennison; Kleinwort Benson; Landauer; Lazard Freres; Lehman; Lincoln Capital; MacKay-Shields; Magten; Mellon Bank; Merrill Lynch; Metropolitan Life; Morgan Grenfell Investment; Morgan Guaranty; Morgan Stanley Asset; National Bank/Detroit; Nomura Capital; Provident Investment; Prudential Insurance; R.P.I. Institutional; Rowe Price-Fleming; N.M. Rothschild; Schroder Capital; Solomon Asset; TCW Asset; United Capital; Value Line Asset; Weiss Peck & Greer; Wells Fargo Bank; and WorldInvest.

The master trustees are Bankers Trust, Chase Manhattan and Mellon; the global custodian is Chase.

Key personnel overseeing the investment management of the fund are W. Gordon Binns Jr., vice president and chief investment funds officer, and R. Charles Tschampion, director-investment manager relations.

Employees' Retirement System of Georgia

	($ millions)
Total assets	2,945
Defined benefit	2,945
Employer contributions	164
Benefit payments	111
In-house assets:	
Equities	1,108
Fixed income	1,594
Short term	234
Other	9
Passive investments:	
Indexed stocks	89
Private placements	76
Real estate equity	2
Mortgages	7
Defined benefit asset mix:	
Stocks	38%
Bonds	54%
Cash equivalents	8%

ATLANTA — As of Sept. 30, the Employee's Retirement System of Georgia's total employee benefit assets increased 6.3% to $2.945 billion from $2.77 billion a year earlier. All assets are defined benefit.

Equity advisers: First Wachovia; INVESCO; and Thorndike, Doran, Paine & Lewis.

The master trustee is First Wachovia.

Key personnel overseeing the investment management of the fund are Rudolph Johnson, director, and C.W. Cary, director-division of investment services.

Trading practices and procedures: April 3.

Georgia Teachers Retirement System

	($ millions)
Total assets	7,525
Defined benefit	7,525
Employer contributions	426
Benefit payments	284
In-house assets	
Equities	2,966
Fixed income	4,079
Short term	461
Other	19
Passive investments	
Indexed stocks	478
Alternative investments	
Private placements	215
Real estate equity	2
Mortgages	17
Defined benefit asset mix	
Stocks	40%
Bonds	54%
Cash equivalents	6%

ATLANTA — As of Sept 30, the Georgia Teachers Retirement System's total employee benefit assets increased 6.3% to $7.525 billion from $7.08 billion a year earlier. All assets are defined benefit.

Equity advisers: Atlanta Capital; Citizens & Southern; INVESCO Capital; Thorndike, Doran, Paine & Lewis; and Wall, Patterson, Hamilton & Allen.

The master custodian is Citizens & Southern.

Key personnel overseeing the investment management of the fund are C.W. Cary, director, and Nancie H. Boedy, assistant director.

Goodyear Tire & Rubber Co.

	($ millions)
Total assets	1,728
Defined benefit	1,476
401(k)	252
Employer contributions	66
Benefit payments	94
Passive investments	
Indexed stocks	[illegible]
Alternative investments	
International bonds	9
Private placements	174
Real estate equity	65
Mortgages	42
Hedging devices	
Stock index futures	Y
Fixed income futures	Y
Defined benefit asset mix	
Stocks	50.5%
Bonds	19.4%
Cash equivalents	17.4%
Real estate equity	4.4%
Mortgages	2.8%
Annuities	5.5%

AKRON, Ohio — As of Sept. 30, The Goodyear Tire & Rubber Co.'s total employee benefit assets decreased 3.1% to $1.728 billion from $1.783 billion a year earlier. Defined benefit assets decreased 3.3% during the same period, to $1.476 billion from $1.527 billion. The 401(k) plan assets increased 29.2%, to $252 million from $195 million.

Equity managers: Bankers Trust; Concord; Dillon, Read; Nicholas; Prudential Asset; State Street Research; TCW; and United Capital.

Fixed-income managers: Desai Capital; Duff & Phelps; Equitable Life; Loomis, Sayles; Metropolitan Life; J.P. Morgan; Prudential Asset; and Travelers.

Real estate managers: J.P. Morgan and Prudential Asset.

The master custodian is Northern Trust; the investment consultant is Wilshire.

Key personnel overseeing the investment management of the fund are Oren G. Shaffer, group executive vice president; George R. Hargreaves, vice president and treasurer; and Duane H. Smith, manager-benefit controls and investments.

Grumman Corp.

	($ millions)
Total assets	2,810
Defined benefit	1,900
Thrift or savings	910
Employer contributions	0
Benefit payments	70
In-house assets	
Equities	750
Fixed income	750
Short term	300
Alternative investments	
Venture capital	20
LBOs	20
Real estate equity	95
Mortgage-backed securities	150
Defined benefit asset mix	
Stocks	40%
Bonds	32%
Real estate equity	5%
Mortgage-backed securities	8%
Defined contribution asset mix	
Stocks	10%
Bonds	6%
GICs	53%
Company stock	31%

BETHPAGE, N.Y. — As of Sept. 30, Grumman Corp.'s total employee benefit assets increased 0.4% to $2.81 billion from $2.8 billion a year earlier. Defined benefit assets decreased 2.6% during the same period to $1.9 billion from $1.95 billion. Thrift/savings plan assets increased 7.1%, to $910 million from $850 million.

Real estate managers: CIGNA; Equitable Life; Prudential; Sentinel.

The master trustee is Bank of New York.

The key person overseeing the investment management of the fund is W.R. Parmentier, assistant treasurer and investment manager.

Global institutional investing trends May 1

GTE Corp.

	($ millions)
Total assets	10,596
Defined benefit	9,016
Thrift or savings	102
401(k)	1,478
Employer contributions	89
Benefit payments	312
In-house assets	
Equities	536
Fixed income	1,514
Passive investments	
Indexed stocks	1,525
Indexed bonds	1,514
Alternative investments	
International equities	780
International bonds	360
Venture capital	139
Oil and gas	56
LBOs	189
Real estate equity	176
Hedging devices	
Stock options	Y
Stock index futures	Y
Defined benefit asset mix	
Stocks	65%
Bonds	23%
Cash equivalents	10%
Real estate equity	2%
Defined contribution asset mix	
Stocks	13%
Bonds	3%
GICs	42%
Company stock	42%

STAMFORD, Conn. — As of Sept. 30, GTE Corp.'s total employee benefit assets decreased 4.2% to $10.596 billion from $11.065 billion a year earlier. Defined benefit assets decreased 6.7% during the same period, to $9.016 billion from $9.668 billion. The 401(k) plan assets increased 13.3% to $1.478 billion from $1.305 billion a year earlier.

Equity managers: Domestic — Baker, Nye; Bankers Trust; BMI; Cashman, Farrell; Chancellor; Concord; Darien Capital; Eagle; First Manhattan; First Pacific; Forest; Franklin Portfolio; Frontier; General American; GeoCapital; GTE Investment; John Hancock; Hellman, Jordan; Hotchkis and Wiley; Oppenheimer; Pacific Financial; Provident Investment; Rampart; Richter; Donald Smith; Webster; and Weiss Peck & Greer.

International — Bankers Trust; Baring; Grantham, Mayo, Van Otterloo; Morgan Guaranty; Rowe Price-Fleming; and Wertheim-Philippe.

Fixed-income managers: Domestic — Baring America; GTE Investment; PIMCO; Security Capital; and Solomon.

International — Beutel, Goodman and WorldInvest.

Real estate managers: Citibank; GTE Investment; Manufacturers National Bank; Morgan Guaranty; State Street Bank; and TCW.

Other managers: Chase Investors; Citibank; Forest; GTE Investment; Hancock; Investment Reserves; and TCW.

The master trustee and global custodian is Bankers Trust.

Key personnel overseeing the investment management of the GTE Corp. fund are:

John B. Carroll, president, GTE Investment; Pamela W. McCann, vice president-pension fund management, GTE Investment; and Stephen Weidemann, vice president-fixed income investment, GTE Investment.

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Halliburton Co.

	($ millions)
Total assets	1,965
Defined contribution	1,965
Employer contributions	30
Benefit payments	135
Hedging devices	
Bond options	Y
Fixed-income futures	Y
Defined contribution asset mix	
Stocks	26%
Bonds	21%
Cash equivalents	2%
GICs	43%
Company stock	4%
Real estate mortgages	4%

DUNCAN, Okla. — As of Sept. 30, Halliburton Co.'s total employee benefit assets decreased 2.9% to $1.965 billion from $2.023 billion a year earlier. All assets are in a defined contribution plan.

The master trustee is NCNB Texas; the global custodian is Chase; the investment consultant is SEI.

The key person overseeing the investment management of the fund is Nathaniel H. Duffield, investment committee chairman.

Employees' Retirement System, State of Hawaii

	($ millions)
Total assets*	3,495
Defined benefit	3,495
Employer contributions	134
Benefit payments	185
*as of June 30, 1988	
In-house assets	
Equities	86
Fixed income	53
Short term	152
Other	583
Passive investments	
Indexed stocks	226
GICs	86
Alternative investments	
International equities	492
Real estate equity	121
Mortgages	376
Mortgage-backed securities	7
Hedging devices	
Stock options	Y
Bond options	Y
Stock index futures	Y
Fixed-income futures	Y
Defined benefit asset mix	
Stocks	41.7%
Bonds	23%
Cash equivalents	15.7%
Real estate equity	3.7%
Mortgages	11.3%
GICs	2.6%

HONOLULU — As of June 30, the Employees' Retirement System of the State of Hawaii's total employee benefit assets increased 2.8% to $3.495 billion from $3.4 billion a year earlier. All of the assets are defined benefit.

Equity managers: Domestic — Alliance; Barrow, Hanley; Cadinha; Delaware; Denney & Denney; Hanson; INVESCO; McCowan; Mellon Capital; and Denis Wong.

International — Daiwa; Nikko; Nomura; and Schroder Capital.

Fixed-income managers: Lehman; PIMCO; Scudder; Stevens; Security Pacific; and Wentworth, Hauser and Violich.

Real estate managers: Aetna, CIGNA and Metropolitan.

The master and global custodian is Irving Trust; the investment consultants are SEI and Callan.

Key personnel overseeing the investment management of the fund are Stanley Siu, executive secretary, and David Shimabukuro, assistant secretary.

Hercules Inc.

	($ millions)
Total assets	1,589
Defined benefit	1,279
Defined contribution	1
401(k)	309
Employer contributions	18
Benefit payments	70
Passive investments	
Indexed stocks	35
Indexed bonds	35
Dedicated/immunized	360
GICs	92
Alternative investments	
International equities	173
Real estate equity	120
Hedging devices	
Stock index futures	Y
Defined benefit asset mix	
Stocks	50.6%
Bonds	31.5%
Cash equivalents	1.3%
Real estate equity	9.4%
GICs	7.2%
Defined contribution asset mix	
GICs	100%

WILMINGTON, Del. — As of Sept. 30, Hercules Inc.'s total employee benefit assets decreased 0.8% to $1.589 billion from $1.603 billion a year earlier. Defined benefit assets decreased 4.3% during the same period, to $1.279 billion from $1.336 billion; 401(k) plan assets grew 16.6% to $309 million from $265 million.

Equity managers: Domestic — Capital Guardian; Cooke & Bieler; Lazard Freres; Marvin & Palmer; Mellon Capital; and J.P. Morgan.

International — Fidelity International; Marvin & Palmer; J.P. Morgan; and Warburg.

Fixed-income managers: R.C. Brown and J.P. Morgan.

Real estate managers: Aetna; Equitable; and Prudential.

Other managers: Bankers Trust; Aetna; Equitable; The New England; and Travelers.

The master trustee is Bankers Trust; the global custodian is Chase Manhattan; the investment consultant is Frank Russell Co.

The key person overseeing the investment management of the fund is John R. Long, director-investments.

Hewlett-Packard Co.

	($ millions)
Total assets*	1,606
Defined benefit	224
Defined contribution	158
Profit sharing	1,224
Employer contributions	107
Benefit payments	na
*From Money Market Directory	

PALO ALTO, Calif. — According to the 1989 Money Market Directory, Hewlett-Packard Co. had total employee benefit assets of $1.606 billion as of mid-1988. That represents an increase of 4.3% from the $1.54 billion *Pensions & Investment Age* estimated the company had as of Sept. 30, 1987.

All the 1988 information came from MMD.

Managers: Capital International; G.T. Capital; Jennison; J.P. Morgan; Morgan Grenfell; Oeschle; PRIMECAP; Wells Fargo; and Wilshire.

The master trustee is Harris Trust.

Key personnel overseeing the fund are Robert E. Greeley, manager-corporate investments, and Elizabeth Obershaw, research manager.

Honeywell Inc.

	($ millions)
Total assets	2,539
Defined benefit	1,860
401(k)	679
Employer contributions	12
Benefit payments	119
Passive investments	
Indexed stocks	501
Indexed bonds	58
GICs	57
Alternative investments	
International equities	84
International bonds	58
Venture capital	63
Oil and gas	36
LBOs	29
Private placements	97
Real estate equity	244
Hedging devices	
Bond options	Y
Stock index futures	Y
Fixed-income futures	Y
Defined benefit asset mix	
Stocks	37.3%
Bonds	26.8%
Cash equivalents	6.1%
Real estate equity	13.1%
GICs	3.1%
Other	13.6%

MINNEAPOLIS — As of Sept. 30, Honeywell Inc.'s total employee benefit assets increased 10.4% to $2.539 billion from $2.299 billion a year earlier. Defined benefit assets decreased 0.9% during the same period, to $1.86 billion from $1.877 billion. The 401(k) plan assets increased 60.9%, to $679 million from $422 million.

Equity managers: Domestic — Alliance Capital; Forstmann-Leff; GAMCO; and Jundt/Capen.

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International — Baring International and IDS International.

Fixed-income manager: Fischer, Francis, Trees & Watts.

Chase Manhattan is master trustee and global custodian; Rogers, Casey & Barksdale is the investment consultant.

Key personnel overseeing the investment management of the fund are D.W. Veverka, director-pension investments; J.T. Wangard, manager-pension investments, and J.K. Skelley, pension fund administrative specialist.

National Pension Fund for Hospital & Health Care Employees

	($ millions)
Total assets	1,888
Defined benefit	1,888
Employer contributions	67
Benefit payments	39
Passive investments	
Indexed stocks	603
Indexed bonds	778
Alternative investments	
International bonds	9
Mortgage-backed securities	70
Defined benefit asset mix	
Stocks	32%
Bonds	42%
Cash equivalents	23%
Mortgage-backed securities	3%

NEW YORK — As of Sept. 30, the National Pension Fund for Hospital and Health Care Employee's total employee benefit assets increased 5.1% to $1.888 billion from the $1.797 billion *Pensions & Investment Age* had estimated a year earlier.

Equity managers: Amalgamated Bank, Irving Trust, and Prudential Asset.

Fixed-income managers: Amalgamated Bank, Irving Trust, and Prudential Asset.

Real estate manager: Prudential.

The master trustee is Irving Trust. The investment consultant is Jack Marco Group.

Key personnel overseeing the investment management of the fund are A.D. Cadenatori, chairperson; H. Nicholas, first vice chairperson, and M. Shields, second vice chairperson.

Houston Retirement System

	($ millions)
Total assets	1,458
Defined benefit	1,458
Employer contributions	na
Benefit payments	na

HOUSTON — As of Sept. 30, the Houston Retirement System's total employee benefit assets decreased 2.8% to $1.458 billion from $1.5 billion June 30, 1987. All assets are defined benefit.

According to the 1989 Money Market Directory, the system has the following managers:

Investment managers: A&M Capital Management; AIM; Alliance; Analytic Investment Management; Balch, Hardy & Scheinman; Benchmark; Capital Technology; Coldwell Banker; Criterion; Eagle Realty; Eaton, Vance; Gulf Investment; IDS Advisory; IDS Financial; IDS International; Investment Advisers; JMB; Lehndorff & Babson; Loomis, Sayles; MacKay-Shields; Market Research; Mellon Capital; Merus; PSI; Siebel; Standish, Ayer; Sun Bank; TCW Realty; Texas Commerce Bank; and Trinity.

The investment consultant is SEI.

Key personnel overseeing the investment management of the fund are George E. Cones Jr., chairman-firefighters fund; Cliff Tuttle, chairman-municipal employees fund; and Dalton Baskin, chairman-police officers fund.

Hughes Aircraft Co.

	($ millions)
Total assets	5,136
Defined benefit	3,336
Thrift or savings	1,800
Employer contributions	50
Benefit payments	150
In-house assets	
Equities	600
Fixed income	300

LOS ANGELES — As of Sept. 30, Hughes Aircraft Co.'s total employee benefit assets were $5.136 billion. Defined benefit assets were $3.336 billion; thrift/savings plan assets, $1.8 billion.

According to the 1989 Money Market Directory, the managers are:

Investment managers: BEA; Chase Investors; CNA; Coldwell Banker; Dillon, Read; Equitec; Forstmann-Leff; Frontier; G.T. Capital; Hagler, Mastrovita & Hewitt; Jennison; JMB; MacKay-Shields; McKenzie, Walker; Mellon Capital; Neuberger and Berman; Oxford Partners; T. Rowe Price; PRIMCO; PRIMECAP; Public Storage; RCM; Reich & Tang; Richards & Tierney; Rowe Price-Fleming; RREEF; TCW Asset; and Trust Co. of the West.

The master trustee is Bankers Trust.

The key person overseeing the investment management of the fund is W.A. Reed, staff vice president-investments.

A report on funding retiree health-care benefits will be in the May 29 issue.

IAM National Pension Fund

	($ millions)
Total assets	1,438
Defined benefit	1,436
Defined contribution	2
Employer contributions	65
Benefit payments	81
Passive investments	
Indexed stocks	86
Indexed bonds	262
Alternative investments	
Real estate equity	44
Defined benefit asset mix	
Stocks	43%
Bonds	49%
Cash equivalents	5%
Real estate equity	3%
Defined contribution asset mix	
Cash equivalents	100%

WASHINGTON — As of Sept. 30, the IAM National Pension Fund's total employee benefit assets decreased 1.1% to $1.436 billion from $1.454 billion a year earlier. Defined benefit assets decreased 1.2% during the same period, to $1.436 billion from $1.454 billion. Defined contribution assets increased 71%, to $2 million from $1.17 million, as of Dec. 31, 1987.

Equity managers: Dodge & Cox; Lazard Freres; State Street Bank; and Stein Roe.

Fixed-income managers: Dodge & Cox; Lazard Freres; State Street Bank; and Stein Roe.

Real estate manager: National Bank of Washington.

The master trustee is State Street Bank.

The key person overseeing the investment management of the fund is Alan W. Skolnick, fund director.

IBM Corp.

	($ millions)
Total assets	21,761
Defined benefit	19,332
401(k)	2,429
Employer contributions	100
Benefit payments	536
In-house assets	11,000
Hedging devices	
Stock options	Y
Bond options	Y
Stock index futures	Y
Fixed-income futures	Y

STAMFORD, Conn. — As of Sept. 30, IBM Corp.'s total employee benefit assets decreased 3.1% to $21.761 billion from $22.457 billion a year earlier. Defined benefit assets decreased 3.8% during the same period, to $19.332 billion from $20.101 billion. 401(k) plan assets increased 3.1% to $2.429 billion from $2.356 billion.

Equity managers: Domestic — Alliance; Butler; Chancellor; Columbus Circle; Delaware; Dimensional Fund; Dillon, Read; Emerging Markets Growth Fund; Fidelity Management Trust; Forstmann Little; John Hancock Venture; Independence Investment; Jennison; Lincoln Capital; RFS; Re-

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source Investors; Sasco; Solomon; TCW Asset; Warburg Pincus; and Wellington.

International — G.T. Capital; Matuschka; Oechsle; Rowe Price-Fleming; and State Street Bank.

Fixed-income managers: Domestic — BEA; Discount Corp. of New York; Fischer, Francis; Hoisington; Lincoln Capital; Miller, Anderson; and PIMCO.

International — Morgan Guaranty and WorldInvest.

Real estate managers: Cabot, Cabot; Dreyfus; Equitable; and Prudential.

The master trustee and global custodian is Chase Manhattan Bank; the investment consultant is Frank Russell.

Key personnel overseeing the investment management of the fund are J. Grills, assistant treasurer; W.V. Hoyt, director-investment strategy; and A.M. Shagory, director-investment research and operations.

Illinois Municipal Retirement Fund

	($ millions)
Total assets	3 591
Defined benefit	3 591
Employer contributions	141
Benefit payments	146
In-house assets	
Short term	191
Passive investments	
Indexed stocks	564
Alternative investments	
International equities	[illegible]
International bonds	104
Venture capital	36
Real estate equity	291
Mortgage-backed securities	100
Hedging devices	
Bond options	Y
Fixed-income futures	Y
Defined benefit asset mix	
Stocks	50%
Bonds	33.7%
Cash equivalents	[illegible]
Real estate equity	8.2%
Mortgage-backed securities	2.8%
Venture capital	1%

CHICAGO — As of Sept. 30, the Illinois Municipal Retirement Fund's defined benefit assets increased 1.6% to $3 591 billion from $3 536 billion a year earlier.

Equity managers: Domestic — American National-Chicago; Campbell, Cowperthwait; Dillon Read; Dimensional; Fidelity Management Trust; Lincoln Capital; and Provident Investment.

International — Baring; Nomura; and Schroder.

Fixed-income managers: Domestic — Criterion; Fidelity Management Trust; Neuberger and Berman; and Payden & Rygel.

International — Julius Baer.

Real estate managers: First Chicago; JMB; LaSalle; Sentinel; and TCW.

Venture capital managers: Abbott; First Chicago; Larimar-Centennial; and Oxford.

The master trustee is Harris Trust; the global custodian is Mitsubishi Bank; the investment consultants are Mercer-Meidinger-Hansen and Institutional Property Consultants.

Key personnel overseeing investment management of the fund are Robert L. Cusma, executive director; Hiroshige Mori, director-investments; and Walter J. Koziol, investment manager.

Illinois State Board of Investment

	($ millions)
Total assets*	2 700
Defined benefit	2 700
Employer contributions	26
Benefit payments	0
*as of June 30, 1988	
In-house assets	
Equities	388
Fixed income	860
Short term	72
Alternative investments	
International equities	38
Venture capital	19
LBOs	37
Real estate equity	254
Hedging devices	
Stock options	Y
Stock index futures	Y
Defined benefit asset mix	
Stocks	43 4%
Bonds	42 2%
Cash equivalents	2 7%
Real estate equity	9 6%
Other	2 1%

CHICAGO — As of June 30, assets of the Illinois State Board of Investment increased 3.9% to $2.7 billion from $2.6 billion a year earlier. All assets are in defined benefit plans.

Equity managers: Ariel; Cooke & Bieler; Disciplined; Fidelity Management; Lazard Freres; Lincoln; Newbold's; Templeton International; Trinity; and TCW.

Fixed-income managers: Calamos; Delaware; Fidelity Management; and J.P. Morgan.

Real estate managers: Aetna; First Chicago; Heitman; JMB; Public Storage; TCW; and VMS.

Venture capital managers: Frontenac; Golder Thoma Cressey; Hancock; Menlo; and Prudential.

LBO managers: Corporate Partners and KKR.

The master custodian is Northern Trust; the investment consultant is Callan Associates.

Key personnel overseeing the investment management of the fund are Gregory C. Nagle, director; Larry G. Darlington, fixed-income portfolio manager; and Bruce L. Poznak and Scott S. Pape, equity portfolio managers.

Illinois Teachers' Retirement System

	($ millions)
Total assets	7 043
Defined benefit	7 043
Employer contributions	na
Benefit payments	na
Passive investments	
Indexed stocks	1 700
Indexed bonds	400
Alternative investments	
International equities	500
International bonds	50
Venture capital	50
Real estate equity	650
Hedging devices	
Stock options	Y
Bond options	Y
Stock index futures	Y
Fixed-income futures	Y

SPRINGFIELD, Ill. — As of Sept. 30, the Illinois Teachers' Retirement System's total employee benefit assets decreased 0.1% to $7 043 billion from $7 053 billion a year earlier. All assets are defined benefit.

Equity managers: Domestic — Alliance; American National Bank, Chicago; Ariel; Cedar Hill; and Kemper.

International — Kemper-Murray Johnstone and State Street Bank.

Fixed-income managers: Domestic — Bear Stearns; Dreyfus Management; Marine Investment; PIMCO; and State Street Bank.

International — First Chicago.

Real estate managers: Bennett & Kahnweiler; F.I.A.; First Chicago; JMB; Jones Lang Wootton; and TCW.

Currency managers: Matuschka Moser and N.M. Rothschild International.

Venture capital: Frontenac.

The master trustee is Harris Trust; the investment consultant is Callan.

The key person overseeing the investment management of the fund is William M. Stephens, chief investment officer.

State Universities Retirement System of Illinois

	($ millions)
Total assets	3 080
Defined benefit	3 080
Employer contributions	83
Benefit payments	174
Passive investments	
Indexed stocks	1 000
Indexed bonds	265
GICs	10
Alternative investments	
International equities	212
Other international	60
Real estate equity	406
Hedging devices	
Stock options	Y
Bond options	Y
Stock index futures	Y
Fixed-income futures	Y
Defined benefit asset mix	
Stocks	55%
Bonds	31%
Cash equivalents	1%
Real estate equity	13%

CHAMPAIGN, Ill. — As of Sept. 30, the State Universities Retirement System of Illinois' defined benefit assets increased 2.1% to $3.08 billion from $3.016 billion a year earlier.

Equity managers: Domestic — Batterymarch; PIMCO; Fayez Sarofim; and Wells Fargo.

International — Wells Fargo.

Fixed-income managers: PIMCO and Wells Fargo.

Real estate managers: Aetna; Equitable; JMB; and RREEF.

The master custodian is Northern Trust; the global custodian is Wells Fargo; the investment consultant is Ennis, Knupp.

Key personnel overseeing the investment management of the fund are Kenneth Codlin, investment officer, and Jeanne Valcik, associate investment officer.

Public Employees' Retirement Fund (Indiana)

	($ millions)
Total assets*	2,927
Defined benefit	2,927
Employer contributions	215
Benefit payments	139
*as of June 30, 1988	
Passive investments	
Indexed bonds	317
Alternative investments	
Private placements	1
Real estate equity	4
Mortgage-backed securities	221
Defined benefit asset mix	
Bonds	84 3%
Cash equivalents	8%
Real estate equity	0 1%
Mortgage-backed securities	7 6%

INDIANAPOLIS — As of June 30, the Public Employees' Retirement Fund of Indiana's total employee benefit assets increased 35.6% to $2.927 billion from $2.158 billion on Sept. 30, 1987. All the assets are defined benefit, and include $514 million in an employee contributory plan listed last year as a defined contribution plan.

Fixed-income managers: Bank One Indianapolis; Indiana National Bank; Lehman; T. Rowe Price; and Prime Capital.

Key personnel overseeing the investment management of the fund are L.H. Earle II, executive secretary; Donal D. Bayne, controller; and Michael A. Cherry, chief information officer.

Indiana State Teachers Retirement Fund

	($ millions)
Total assets	1 500
Other	1 500
Employer contributions	200
Benefit payments	200
Defined contribution asset mix	
Bonds	90%
Cash equivalents	10%

INDIANAPOLIS — As of Sept. 30, the Indiana State Teachers Retirement Fund's total employee benefit assets increased 15.4% to $1.5 billion from $1.3 billion a year earlier. All of the assets are in an annuity purchase plan.

The master trustee is Indiana National Bank.

The key person overseeing the investment management of the fund is Robert D. Newland, investment officer.

Inland Steel Industries Inc.

	($ millions)
Total assets	1 700
Defined benefit	1 400
401(k)	300
Employer contributions	10
Benefit payments	100
Passive investments	
Indexed stocks	40
Dedicated/immunized	428
GICs	90
Alternative investments	
International equities	125
Venture capital	5
Real estate equity	106
Mortgage-backed securities	68
Hedging devices	
Stock index futures	Y
Defined benefit asset mix	
Stocks	46 3%
Bonds	23%
Cash equivalents	12 1%
Real estate equity	7 3%
Mortgage-backed securities	4 9%
GICs	6 4%
Defined contribution asset mix	
Stocks	4%
GICs	87%
Company stock	9%

CHICAGO — As of Sept. 30, Inland Steel Industries Inc.'s total employee benefit assets decreased 7.6% to $1.7 billion from $1.84 billion a year earlier. Defined benefit assets decreased 11.4% during the same period, to $1.4 billion from $1.581 billion, while 401(k) plan assets increased 15.8%, to $300 million from $259 million.

Largest defined contribution plans* ($ millions)

Fund	Assets
TIAA-CREF	67,141
AT&T	5,851
General Motors	4,900
E.I. du Pont de Nemours	4,642
Sears, Roebuck	4,509
General Electric	4,100
Exxon	4,026
Ford Motor	3,800
Shell Oil	3,390
Boeing	3,255
Procter & Gamble	2,953
IBM	2,429
Rockwell Int'l	2,361
Federal Thrift Board	2,271
Lockheed	2,259
NYNEX	2,139
Halliburton	1,965
Eastman Kodak	1,925
Chevron	1,920
Mobil Oil	1,810
Hughes Aircraft	1,800
Texas Municipal	1,800
Texas County & District	1,789
Allied-Signal	1,776
Total	134,811

*Includes profit sharing, thrift/savings and 401(k) plans

Equity managers: Domestic — Sanford Bernstein; Chancellor; Dillon, Read; Dimensional Fund; First Chicago Investment; INVESCO Capital; Oppenheimer; Putnam Advisory; State Street Research; and Waddell & Reed.

International — Baring International; First Chicago; and Putnam International.

Fixed-income manager: Lincoln.

Real estate managers: Equitable; JMB; and Prudential.

The master trustee and global custodian is Northern Trust; the investment consultant is DeMarche.

Key personnel overseeing the investment management of the fund are J.E. Dittus, treasurer; R.J. Schutter, director-pension investments and administration; and V.L. Avril, manager-pension investments.

International Paper Co.

	($ millions)
Total assets	2,252
Defined benefit	1 851
Defined contribution	401
Employer contributions	14
Benefit payments	80
Passive investments	
GICs	46
Alternative investments	
International equities	60
Real estate equity	135
Mortgages	2
Mortgage-backed securities	4
Hedging devices	
Stock options	Y
Bond options	Y
Stock index futures	Y
Fixed-income futures	Y
Defined benefit asset mix	
Stocks	59%
Bonds	16%
Cash equivalents	15%
Real estate equity	7%
GICs	3%
Defined contribution asset mix	
Cash equivalents	1%
GICs	15%
Company stock	84%

PURCHASE, N.Y. — As of Sept. 30, International Paper Co.'s total employee benefit assets decreased 9.9% to $2.252 billion from $2.5 billion a year earlier. Defined benefit assets decreased 7.5% during the same period, to $1.851 billion from $2 billion. Defined contribution assets decreased 19.8%, to $401 million from $500 million.

Equity managers: Domestic — Avatar; Sanford Bernstein; Geewax Terker; Investment Counselors of Maryland; Manning & Napier; Martingale; Miller Anderson & Sherrerd; Neuberger & Berman; Provident Investment; Roll & Ross; TCW; and United Capital.

International — Oechsle and TCW.

Fixed-income managers: J.P. Morgan; PIMCO; and State Street Research.

Real estate managers: Aldrich, Eastman & Waltch; LaSalle and RREEF.

Other manager: TSA.

The master trustees are State Street Bank for the defined benefit plan and Bankers Trust for the defined contribution plan; the global custodian is State Street Bank.

Key personnel overseeing the investment management of the fund are Myra R. Drucker, director-trust investments; Connie R. Caperella, manager-portfolio analysis; and John C. Winchester, manager-trust investments.

Iowa Public Employees Retirement System

	($ millions)
Total assets*	3,800
Defined benefit	3,800
Employer contributions	197
Benefit payments	na
*From Money Market Directory	

DES MOINES, Iowa — According to Money Market Directory, assets of the Iowa Public Employees' Retirement System totaled $3.8 billion as of June 30. All assets are in defined benefit plans.

The following information also was reported by Money Market Directory.

Equity managers: Batterymarch; Invista Capital Management; Mellon Capital Management; Prudential; and RCM Capital Management.

Fixed-income managers: Boston Co.; Criterion Investment Management; Loomis, Sayles; Miller, Anderson & Sherrerd; and J.P. Morgan.

Real estate managers: Aldrich, Eastman & Waltch; Copley; Heitman; JMB; and Wellington.

Venture capital managers: Cable & Howse; Interven; Invest America; KKR; Lawrence, Tyrrell; Steinberg Lyman; and Summit.

Other managers: Golder, Thoma and The New England.

The master custodian is Boston Safe Deposit & Trust; the investment consultant is Wilshire.

Key personnel overseeing the investment management of the fund are Dennis Jacobs, deputy administrator; Larry Thompson, investment officer; and Maurice Baringer, administrator.

ITT Corp.

	($ millions)
Total assets	2,602
Defined benefit	1,871
Profit-sharing/thrift/savings	731
Employer contributions	na
Benefit payments	na
Alternative investments	
International equities	183
International bonds	91
Oil and gas	10
LBOs	15
Real estate equity	108
Defined benefit asset mix	
Stocks	57%
Bonds	23%
Cash equivalents	12%
Real estate equity	8%
Defined contribution asset mix	
Stocks	9%
Cash equivalents	4%
GICs	55%
Company stock	32%

NEW YORK — As of Sept. 30, ITT Corp.'s total employee benefit assets decreased 13.7% to $2.602 billion from $3.015 billion a year earlier. Defined benefit assets decreased 11.3% during the same period, to $1.871 billion from $2.109 billion. Profit-sharing and thrift or savings plan assets decreased 2.4%, to $731 million from $749 million.

Equity managers: Domestic — Alliance; American Fund; Barrow, Hanley; First Manhattan; GAMCO; Jennison; and Verus Capital.

International — Alliance International; Capital Guardian; G.T. Capital; and Lazard Freres.

Fixed-income managers: Domestic — Alliance; J.P. Morgan; and State Street Research.

International — J.P. Morgan and WorldInvest.

Real estate managers: Coldwell; Corporate Property; Equitable; Metropolitan; and RREEF.

LBO managers: Blackstone; Corporate Advisors; KKR; and Kohlberg & Co.

Other managers: Alex. Brown; Butler Capital; and Morgan.

The master trustee is The Northern Trust Co.; the global custodian is Northern Trust London.

Key personnel overseeing the investment management of the fund are Edwin J. Ehrlich, director-pension fund trust; and Eileen C. Leahy, manager-pension fund trust.

K

Kansas Public Employees Retirement System

	($ millions)
Total assets	3.175
Defined benefit	3.175
Employer contributions	88
Benefit payments	129
In-house assets	
Fixed income	60
Short term	105
Other	10
Alternative investments	
International equities	219
Other international	76
Private placements	353
Real estate equity	206
Mortgage-backed securities	51
Hedging devices	
Stock options	Y
Bond options	Y
Stock index futures	Y
Fixed-income futures	Y
Defined benefit asset mix	
Stocks	38.8%
Bonds	34.5%
Cash equivalents	18.6%
Real estate equity	6.5%
Mortgage-backed securities	1.6%

TOPEKA, Kan. — As of Sept. 30, the Kansas Public Employees Retirement System's total employee benefit assets decreased 4.1% to $3.175 billion from $3.311 billion a year earlier. All assets are defined benefit.

Equity managers: Domestic — Capital Supervisors, Investment & Capital, Market Research & Management, Pilgrim Baxter, Provident Investment, and Reimer & Koger.

International — Alliance and Nomura.

Fixed-income managers: Domestic — Loomis, Sayles, PIMCO, and Peters, Gamm & West.

International — Julius Baer.

Real estate manager: J.W. O'Connor.

Cash manager: Payden & Rygel.

Securities lending: Domestic — Marine Midland Bank.

International — Bankers Trust.

The master custodian is Commerce Bank & Trust, the global custodian is Bankers Trust, the investment consultant is Callan.

Key personnel overseeing the investment management of the fund are Marshall Crowther, executive secretary, and Thomas A. Hammill, chairman-board of trustees.

Kentucky Retirement Systems

	($ millions)
Total assets	2,500
Defined benefit	2,500
Employer contributions	110
Benefit payments	97
In-house assets	
Equities	301
Fixed income	30
Short term	442
Passive investments	
Indexed stocks	301
Alternative investments	
Real estate equity	91
Mortgage-backed securities	406
Defined benefit asset mix	
Stocks	34%
Bonds	29%
Cash equivalents	17%
Real estate equity	4%
Mortgage-backed securities	16%

FRANKFORT, Ky. — As of Sept. 30, Kentucky Retirement Systems' total employee benefit assets decreased 2.2% to $2.5 billion from $2.556 billion a year earlier. All assets are defined benefit.

Equity manager: Capital Supervisors.

Fixed-income managers: Capital Supervisors and Munder Capital.

Real estate manager: Heitman.

The master trustee is Farmer Bank & Capital Trust; the investment consultant is Mercer Meidinger Hansen.

The key person overseeing the investment management of the fund is Bobby J. McKee, general manager.

Kentucky Teachers' Retirement System

	($ millions)
Total assets*	2,840
Defined benefit	2,840
Employer contributions	187
Benefit payments	170
In-house assets	
Fixed income	208
Alternative investments	
Real estate equity	41
Mortgages	109
Mortgage-backed securities	166
Defined benefit asset mix	
Stocks	20.2%
Bonds	53.4%
Cash equivalents	15.2%
Real estate equity	1.5%
Mortgages	3.8%
Mortgage-backed securities	5.9%

*as of June 30, 1988

FRANKFORT, Ky. — As of June 30, Kentucky Teachers' Retirement System's total employee benefit assets increased 6.93% to $2.84 billion from $2.656 billion a year earlier. All of the assets are in a defined benefit plan.

Equity managers: INVESCO and Todd Investment.

Fixed-income managers: First Kentucky and Todd Investment.

The master custodian is Farmers Bank & Capital Trust.

Key personnel overseeing the investment management of the fund are Pat N. Miller, executive secretary; Stuart A. Reagan, deputy executive secretary; and Paul L. Yancey, investment analyst.

K mart Corp.

	($ millions)
Total assets*	1,509
Defined benefit	931
401(k)	578
Employer contributions	0
Benefit payments	34
In-house assets:	
Fixed income	131
Short term	18
Passive investments:	
Indexed stocks	124
GICs	191
Alternative investments:	
Real estate equity	49
Hedging devices:	
Stock options	Y
Stock index futures	Y
Defined benefit asset mix:	
Stocks	51%
Bonds	14%
Cash equivalents	7%
Real estate equity	5%
GICs	21%
Annuities	2%
Defined contribution asset mix:	
Stocks	8%
GICs	50%
Company stock	42%

*as of June 30, 1988

TROY, Mich. — As of June 30, K mart Corp.'s total employee benefit assets decreased 6.9% to $1.509 billion from $1.62 billion Sept. 30, 1987. Defined benefit assets decreased 4% during the same period, to $931 million from $970 million. 401(k) plan assets decreased 11.1% to $578 million from $650 million.

Equity managers: Alliance; Avatar; Capital Guardian; Dimensional Fund; and Stein Roe.

Real estate managers: Equitec and JMB.

Other: Boston Co.

The master trustee is National Bank of Detroit.

Key personnel overseeing the investment management of the fund are John A. Steinbach, assistant treasurer-investment manager, and William F. Camp, assistant investment manager.

Kraft Inc.

	($ millions)
Total assets	1,608
Defined benefit	1,182
Thrift or savings	426
Employer contributions	30
Benefit payments	60
Passive investments	
Indexed stocks	78

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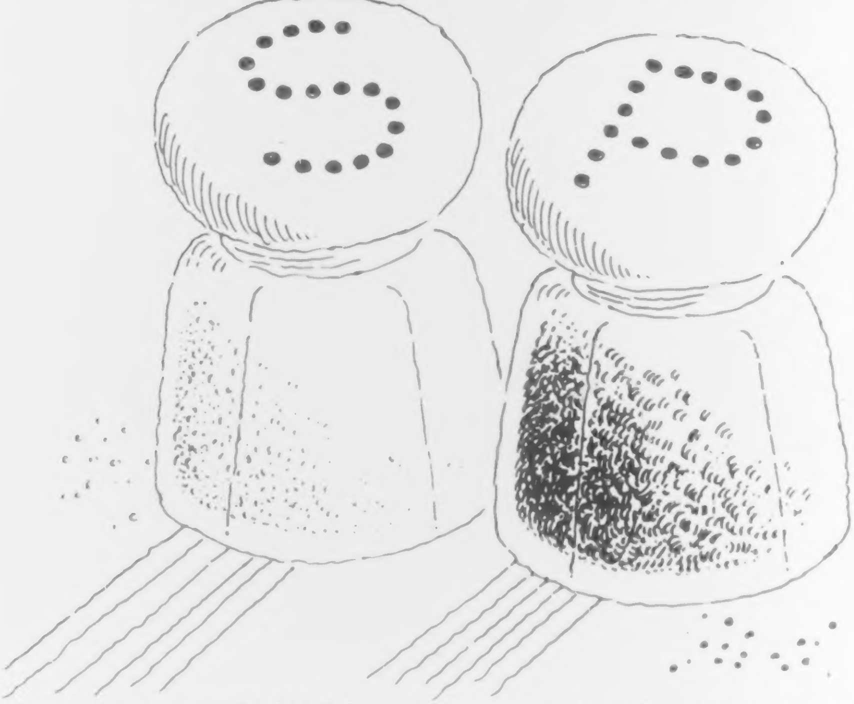

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GICs	188
Alternative investments	
International equities	120
Venture capital	13
Hedging devices	
Stock index futures	Y
Defined benefit asset mix	
Stocks	59%
Bonds	23%
Cash equivalents	1%
GICs	16%
Venture capital	1%
Defined contribution asset mix	
Stocks	7%
GICs	83%
Company stock	10%

GLENVIEW, Ill. — As of Sept. 30, Kraft Inc.'s total employee benefit assets decreased 6% to $1.608 billion from $1.71 billion a year earlier. Defined benefit assets decreased 10.9% during the same period, to $1.182 billion from $1.327 billion, and thrift plan assets increased 21.7% to $426 million from $350 million.

Equity managers: Domestic — Bankers Trust; BEA; First Pacific; Neuberger & Berman; Ruane Cunniff; and Thorndike Doran.

International — Mellon-Pictet and Morgan Grenfell.

Fixed-income managers: Bankers Trust and Fischer Francis.

IPG manager: John Hancock.

The master trustee and global custodian is Bankers Trust.

Key personnel overseeing the investment management of the fund are Alice M. Peterson, assistant treasurer-corporate finance; and Michael L. Keesey, manager-corporate finance.

L

Eli Lilly & Co.

	($ millions)
Total assets	1,867
Defined benefit	1,089
401(k)	778
Employer contributions	69
Benefit payments	52
In-house assets	
Equities	70
Passive investments	
Indexed stocks	180
Dedicated/immunized	74
Alternative investments	
International equities	70
Venture capital	10
Real estate equity	59
Mortgage-backed securities	17
Hedging devices	
Stock index futures	Y
Defined benefit asset mix	
Stocks	69.1%
Bonds	12.1%
Cash equivalents	11.9%
Real estate equity	5.4%
Mortgage-backed securities	1.5%
Defined contribution asset mix	
Stocks	10.8%
Cash equivalents	1.4%
GICs	33.9%
Company stock	53.9%

INDIANAPOLIS — As of Sept. 30, Eli Lilly & Co.'s total employee benefit assets decreased 0.4% to $1.867 billion from $1.875 billion a year earlier. Defined benefit assets decreased 4.1% during the same period, to $1.089 billion from $1.135 billion. The 401(k) plan assets increased 5.1%, to $778 million from $740 million.

Equity managers: Domestic — Ardsley; Capital Guardian; Mellon Capital; Reams; W.H. Reaves; and United Capital.

International — Nikko and Nomura.

Fixed-income managers: Bank One, Indianapolis; Northern Investment; and Reams.

Real estate managers: First Wachovia; JMB; and RREEF.

Cash and asset allocation: Northern Investment.

The master trustee is Northern Trust.

Key personnel overseeing the investment management of the fund are James M. Cornelius, chief financial officer and chairman of the fund advisory committee; Michael S. Hunt, treasurer and secretary of the fund advisory committee; and Frederick W. Ruebeck, director of investments.

The leading international managers will be profiled in the June 26 issue.

Lockheed Corp.

	($ millions)
Total assets*	7,113
Defined benefit	4,854
Defined contribution	2,259
Employer contributions	na
Benefit payments	na

**P&I Age estimate*

CALABASAS, Calif. — As of Sept. 30, *Pensions & Investment Age* estimates Lockheed Corp.'s total employee benefit assets decreased 11.4% to $7.113 billion from $8.025 billion a year earlier. Defined benefit assets decreased 12.1% during the same period, to $4.854 billion from $5.523 billion. Defined contribution assets decreased 9.7%, to $2.259 billion from $2.502 billion.

Managers: Alliance; Anhalt/O'Connell; Bankers Trust; Batterymarch; Capital Guardian; Chase Investors; Chancellor Trust; Delaware Investment; DSI International; First Interstate Bank of Washington; Forstmann-Leff; Thomas L. Karsten; Investment Research Co.; Lombard Odier International; Mellon Bank; J.P. Morgan; Payden & Rygel; RREEF; SBC Portfolio; Security Pacific; Smith Barney; TCW Asset; Western Asset; Westwood; and Wright Investment.

Bankers Trust is the master trustee and global custodian.

The key person overseeing the investment management of the fund is George C. Weintz, investment counsel.

Los Angeles City Employees' Retirement System

	($ millions)
Total assets	2,193
Defined benefit	2,193
Employer contributions	133
Benefit payments	144
In-house assets	
Short term	175
Passive investments	
Indexed stocks	215
Defined benefit asset mix	
Stocks	38%
Bonds	54.1%
Cash equivalents	7.9%

LOS ANGELES — As of Sept. 30, Los Angeles City Employees' Retirement System total employee benefit assets increased 4.4% to $2.193 billion from $2.101 billion a year earlier. All assets are defined benefit.

Equity managers: Alliance; Ariel; Bankers Trust; Loomis Sayles; Security Pacific; and Westwood.

Fixed-income managers: Chemical Investment; Loomis, Sayles; and Westwood.

The master custodian is Irving Trust; the investment consultant is SEI Corp.

Key personnel overseeing the investment management of the fund are Jerry Bardwell, manager; Oscar Peters, assistant manager; and Daniel P. Gallagher, investment officer.

Los Angeles County Employees' Retirement Association

	($ millions)
Total assets	8,744
Defined benefit	8,221
Thrift or savings	25
401(k)	78
Other	420
Employer contributions	377
Benefit payments	350
In-house assets	
Fixed income	70
Passive investments	
Indexed stocks	424
Alternative investments	
International equities	806
Other international	78
Venture capital	88
Private placements	70
Real estate equity	171
Mortgages	119
Mortgage-backed securities	264
Defined benefit asset mix	
Stocks	40.4%
Bonds	34.8%
Cash equivalents	17%
Real estate equity	2.1%
Mortgages	1.4%
Mortgage-backed securities	3.2%
Other	1.1%

LOS ANGELES — As of Sept. 30, Los Angeles County Employees' Retirement Association total employee benefit assets increased 5.8% to $8.744 billion from $8.262 billion on June 30, 1987. Defined benefit assets increased 4.4% during the same period, to $8.221 billion from $7.875 billion, while defined contribution assets increased 30% to $420 million from $323 million.

Equity managers: Domestic — Capital Guardian; Loomis, Sayles; Massachusetts Financial; Morgan Stanley Asset; Pacific Century; Pilgrim, Baxter; Putnam; Security Pacific; Stein, Roe; and Weiss, Peck & Greer.

International — Brown Brothers Harriman; Capital Guardian; Chase; Daiwa; Morgan Grenfell; and Warburg.

Fixed-income managers: Brown Brothers Harriman; Capital Guardian; CMB; Criterion; Massachusetts Financial; and J.P. Morgan.

Real estate managers: Equitable; Goldman, Sachs; Heitman; JMB; Prudential; Public Storage; Sentinel; Shurgard; TCW Realty; and Trammell Crow.

Other managers: Copley Venture; GKH Partners; Prudential Venture; TA Associates; and Warburg, Pincus.

The master custodian is Security Pacific National Bank; the global custodian is Chase Manhattan; the investment consultant is Callan.

Key personnel overseeing the investment management of the fund are Norman S. Johnson, chairman-board of investments; C.L. Spencer, retirement administrator; and C.F. Conrad, assistant retirement administrator.

Los Angeles Fire & Police Pension System

	($ millions)
Total assets	2,774
Defined benefit	2,774
Employer contributions	288
Benefit payments	256
In-house assets	
Short term	90
Passive investments	
Indexed stocks	459
Alternative investments	
Real estate equity	53
Hedging devices	
Stock options	Y
Defined benefit asset mix	
Stocks	54.4%
Bonds	33.1%
Cash equivalents	10.5%
Real estate equity	2%

LOS ANGELES — As of Sept. 30, the Los Angeles Fire & Police Pension System's total employee benefit assets increased 1% to $2.774 billion from $2.744 billion a year earlier. All assets are defined benefit.

Equity managers: Alliance; Amerindo U.S.; BMI; Frontier Capital; Husic; Loomis, Sayles; Security Pacific; Target Investors; and Wright Investors.

Fixed-income managers: Boston Co.; Magten; Security Pacific; and Solomon Asset.

Real estate managers: Boston Co.; Equitable; JMB; Prudential; and Sentinel.

Options managers: Balch, Hardy & Scheinman; MCQ; and Oppenheimer.

The master and global custodian is Bankers Trust; the investment consultant is Callan.

Key personnel overseeing the investment management of the fund are Gary Mattingly, general manager; Allan Moore, assistant general manager; and Dennis Sugino, chief investment officer.

Water & Power Employees' Retirement Plan (of Los Angeles)

	($ millions)
Total assets*	1,504
Defined benefit	1,504
Employer contributions	116
Benefit payments	95

*as of June 30, 1988

In-house assets	
Short term	82
Alternative investments	
Private placements	29
Mortgage-backed securities	136
Hedging devices	
Stock options	Y
Defined benefit asset mix	
Stocks	37%
Bonds	46%
Cash equivalents	6%
Mortgage-backed securities	9%
Private placements	2%

LOS ANGELES — As of June 30, the Water & Power Employees' Retirement Plan's total benefit assets increased 2.3% to $1.504 billion from $1.47 billion a year earlier. All of the assets are defined benefit.

Top 200 funds with
defined benefit assets invested in:

Indexed stocks

Fund	Assets $ millions
New York State & Local	12,596
New York State Teachers	9,517
California State Teachers	9,290
AT&T	8,170
New York City	7,653
NYNEX	nn4,114
California Public Employees	4,109
General Electric	3,700
Florida State Board	3,320
Teamsters, Central States	2,673
Ford Motor	2,500
Minnesota State Board	2,385
Maryland State	1,809
Virginia Supplemental	1,735
Exxon	1,717
Illinois Teachers	1,700
Pennsylvania State Employes	1,681
Washington State Board	1,671
Southwestern Bell	1,661
E.I. dù Pont de Nemours	1,531
GTE	1,525
Pennsylvania Public School	1,224
Deere	1,000
Illinois State Universities	1,000
North Carolina Systems	989
Arizona State	932
Unisys	917
Teamsters, Western	860
Sears, Roebuck	776
Connecticut Trust Funds	700
Tennessee Valley Authority	697
S. New England Telephone	660
Ohio School Employees	658
Ameritech	650
Utah State	620
Alabama Systems	603
Hospital & Healthcare Workers	603
Bell Atlantic	600
Prudential Insurance	573
Nevada Public Employees	556
Caterpillar	550
Honeywell	501
UMWA	500
United Technologies	500
Georgia Teachers	478
Raytheon	470
Int'l Operating Engineers	464
Los Angeles Fire & Police	459
Mississippi Public Employees	452
Los Angeles County	424
Tenneco	400
Pacific Gas & Electric	386
RJR Nabisco	383
Nat'l Electric Contractors/IBEW	373
Illinois Municipal	364
Chrysler	358
San Francisco Employees	348
Colorado Public Employees	327
World Bank	320
Kentucky Retirement	301
Allied-Signal	300
UAL	275
United Methodist Church	262
Digital Equipment	259
General Dynamics	230
Ohio Police & Firemen	228
Hawaii State Employees	226
Los Angeles City Employees	215
Maine State	209
Armco	205
Texas Employees	201
Mass. Teachers & Employees	200
State of Delaware	197
Commonwealth Edison	196
BP America	191
Amoco	183
Eli Lilly	180
Sun	171
American Electric Power	164
Travelers Insurance	155
Army & Air Force Exchange	153
State of Michigan	150
Mobil Oil	138
Goodyear Tire & Rubber	137
K mart	124
Chevron	120
Southern California UFCW	120
Nat'l Rural Electric Co-op	108
Philip Morris	100
Philadelphia Municipal	93
Georgia Employees	89
IAM Nat'l	86
Kraft	78
Southern California Edison	75
Alaska Retirement Systems	71
Bakery & Confectionery	65
Milwaukee City Employes	51
Detroit Systems	45
CIGNA	44
New York Life	41
Inland Steel Industries	40
Motorola	36
Hercules	35
American Stores	17
Phillips Petroleum	15
Total	114,311

Balanced managers: Bank of California; Boston Co.; and TCW.

Options managers: Boston Co. and TCW.

The master trustee is Security Pacific.

Key personnel overseeing the investment management of the fund are Richard W. Goss, retirement plan manager; Kathleen Thornton, assistant retirement plan manager; and Clarence Brown, investment officer.

Louisiana State Employees' Retirement System

	($ millions)
Total assets	2,001
Defined benefit	2,001
Employer contributions	133
Benefit payments	233
In-house assets	
Equities	5
Fixed income	480
Short term	40
Alternative investments	
International equities	1
Private placements	20
Real estate equity	34
Mortgage-backed securities	120
Defined benefit asset mix	
Stocks	28%
Bonds	50%
Cash equivalents	12%
Real estate equity	2%
Mortgage-backed securities	6%
Other	2%

BATON ROUGE, La. — As of Sept. 30, the Louisiana State Employees' Retirement System's total employee benefit assets increased 2.9% to $2.001 billion from $1.944 billion as of June 30, 1987. All of the assets are defined benefit.

Equity managers: Boston Co.; Eagle; and Merus.

Fixed-income managers: Denver Investment; Duff & Phelps; INVESCO.

Real estate managers: Equitable; Metropolitan Life; Public Storage; and Security Pacific.

The master trustee is Irving Trust; the investment consultant is SEI.

Key personnel overseeing the investment management of the fund are Vernon L. Strickland, chief investment officer; Nicholas P. Montagnino Jr., investment officer; and Calla E. McManus, investment officer.

Teachers' Retirement System of Louisiana

	($ millions)
Total assets*	2,833
Defined benefit	2,833
Employer contributions	208
Benefit payments	350

*as of June 30, 1988

In-house assets	
Short term	566
Alternative investments	
Mortgage-backed securities	270
Defined benefit asset mix	
Stocks	25%
Bonds	45%
Cash equivalents	20%
Mortgage-backed securities	10%

BATON ROUGE, La. — As of June 30, total employee benefit assets of the Teachers' Retirement System of Louisiana increased 3.4% to $2.833 billion from $2.741 billion as of Sept. 30, 1987. All assets are defined benefit.

Equity managers: Boston Co.; Eagle; INVESCO; and Sun Bank.

Fixed-income managers: Centerre; Criterion; Hibernia; Massachusetts Financial; and Scudder, Stevens & Clark.

The master custodian is City National Bank of Baton Rouge; the investment consultant is SEI.

Key personnel overseeing the investment management of the fund are Jennifer Netterville, investment officer, and Carleton C. Page, director secretary treasurer.

Board of Pensions Evangelical Lutheran Church in America

	($ millions)
Total assets	1,420
Defined contribution	1,420
Employer contributions	53
Benefit payments	42
In-house assets	
Equities	297
Fixed income	[illegible]
Short term	[illegible]
Passive investments	
Indexed stocks	44
Defined contribution asset mix	
Stocks	19%
Bonds	55%
Cash equivalents	6%

MINNEAPOLIS — As of Sept. 30, total employee assets of the Board of Pensions of the Evangelical Lutheran Church in America were $1.419 billion. All assets are in a defined contribution plan. The figures represent a merger of the American Lutheran Church, the Lutheran Church in America and the Association of Evangelical Lutheran Churches.

Equity managers: Loomis, Sayles and Merrill Lynch.

Fixed-income manager: Baring America.

Short-term manager: Boston Safe.

The master trustee is Boston Safe.

Key personnel overseeing the investment management of the fund are Glenn H. Steinke, vice president-investments; Michael L. Troutman, manager-social purpose funds and systems; Paul "Tim" Kaspar and William E. Gruszewski, equity portfolio managers; and Christopher C. Berberet and Lynne A. McHugh, bond portfolio managers.

M

Maine State Retirement System

	($ millions)
Total assets	1,452
Defined benefit	1,452
Employer contributions	200
Benefit payments	[illegible]
Passive investments	
Indexed stocks	309
Alternative investments	
Oil and gas	[illegible]
Private placements	14
Real estate equity	23
Defined benefit asset mix	
Stocks	40.4%
Bonds	42.8%
Cash equivalents	15.2%
Real estate equity	1.6%

AUGUSTA, Maine — As of Sept. 30, Maine State Retirement System's total employee benefit assets increased 4.5% to $1.452 billion from $1.39 billion a year earlier.

Equity managers: Alliance, Boston Safe, Dillon Read, Evans & Moxon, Gouws Capital, Maine National Bank.

Fixed-income managers: Alliance, Boston Safe, Massachusetts Financial, Morgan Guaranty, Putnam.

Real estate manager: Property Capital.

Other manager: First Reserve Energy.

The master trustee is Boston Safe Deposit; the investment consultant is Wilshire Associates.

Key personnel overseeing the investment management of the fund are Claude R. Perrier, executive director, and William B. Ross, investment account coordinator.

Martin Marietta Corp.

	($ millions)
Total assets	2,829
Defined benefit	2,001
Profit sharing	828
Employer contributions	84
Benefit payments	63
In-house assets	
Equities	160
Fixed income	150
Defined benefit asset mix	
Stocks	20%
Bonds	25%
Cash equivalents	55%
Defined contribution asset mix	
Stocks	23%
GICs	62%
Company stock	15%

BETHESDA, Md. — As of Sept. 30, Martin Marietta Corp.'s total employee benefit assets increased 0.7% to $2.829 billion from $2.809 billion a year earlier. Defined benefit assets decreased 1.1% during the same period, to $2.001 billion from $2.024 billion. Defined contribution assets increased 5.5%, to $828 million from $785 million.

Equity managers: Breau Capital; Capital Guardian; Invista Capital; Pioneering Management; State Street Research; and Robert E. Torray.

Fixed-income managers: T. Rowe Price.

The master trustee is Bankers Trust; the investment consultant is Janney, Montgomery, Scott.

Key personnel overseeing the investment management of the fund are Wayne H. Shaner, assistant treasurer-pension investments; Shawn M. Hendon, director-pension investments; and Wendy J. Thomson, senior financial analyst.

Maryland State Retirement and Pension Systems

	($ millions)
Total assets*	8,717
Defined benefit	8,717
Employer contributions	500
Benefit payments	500
*as of Aug. 31, 1988	
In-house assets	
Equities	1,809
Fixed income	4,888
Short term	161
Passive investments	
Indexed stocks	1,809
Indexed bonds	169
Alternative investments	
Real estate equity	183
Defined benefit asset mix	
Stocks	31.9%
Bonds	65.6%
Cash equivalents	0.4%
Real estate equity	2.1%

BALTIMORE — As of Aug. 30, the Maryland State Retirement and Pension Systems' employee benefit assets increased 5.4% to $8.717 billion from $8.274 billion as of Sept. 30, 1987. All assets are in a defined benefit plan.

Equity managers: Bankers Trust; Capital Guardian; Dimensional Fund Advisors; Hagler, Mastrovita & Hewitt; Investment Counselors of Maryland; Scudder, Stevens; and Wellington Trust.

Fixed-income managers: Investment Counselors of Maryland; Mercantile Safe; PIMCO; and Standish Ayer & Woods.

Real estate managers: CIGNA; Copley; J.P. Morgan; and Sentinel.

The master custodian is First National Bank of Maryland.

Key personnel overseeing the investment management of the fund are Bennett H. Shaver, executive director, and Howard J. France, chief investment officer.

Massachusetts Pensions Reserve Investment Management Board

	($ millions)
Total assets	2,364
Employer contributions	na
Benefit payments	na

BOSTON — As of Sept. 30, the Massachusetts Pensions Reserve Investment Management Board's total employee benefit assets increased 7.4% to $2.364 billion from $2.202 billion a year earlier.

According to the Money Market Directory, the investment managers are:

Managers: Alliance; Bank of Boston; Baring America; Baring International; Bear Stearns; Boston Co.; Boston Financial; Davis Venture; Forstmann Little; Golder, Thoma; Heitman; INVESCO; Hancock Financial; Hancock Venture; KKR; Lazard Freres; Lehman; Lomas Advisors; Massachusetts Mutual; The New England; Oechsle; Putnam; N.M. Rothschild; M.D. Sass; Scudder, Stevens &

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Clark; Southern California Ventures; State Street Bank; T.A. Associates; TCW; Trinity Investment; United States Trust, Boston; and Vista Ventures.

The master custodian is State Street Bank; the investment consultant is Wilshire.

Key personnel overseeing the investment management of the fund are Paul F. Quirk, executive director, and Philip D. Kett, chief investment officer.

Commonwealth of Massachusetts Teachers & Employees Pension Fund

	($ millions)
Total assets	4,000
Defined benefit	4,000
Employer contributions	350
Benefit payments	330
In-house assets	
Fixed income	1,500
Short term	300
Passive investments	
Indexed stocks	200
Indexed bonds	50
GICs	80
Alternative investments	
International equities	30
International bonds	30
LBOs	40
Real estate equity	45
Mortgage-backed securities	300
Defined benefit asset mix	
Stocks	30%
Bonds	42.5%
Cash equivalents	15%
Real estate equity	3%
Mortgage-backed securities	7.5%
GICs	2%

BOSTON — As of Sept. 30, the Commonwealth of Massachusetts Teachers & Employees Pension Fund's total employee benefit assets increased 14.3% to $4 billion from $3.5 billion a year earlier. All assets are defined benefit.

Equity managers: Domestic — Constitution Capital; Gardner and Preston Moss; Hagler, Mastrovita; Independence Investment; INVESCO; and Keystone.

International — Capital Guardian; Scudder, Stevens; and Wellington International.

Fixed-income manager: International — Fiduciary Trust International.

Real estate managers: Aldrich, Eastman & Waltch; State Street Bank; Copley; First Chicago; John Hancock; Lehndorff & Babson; Public Storage; and Sierra Capital.

State Street Bank is master trustee and global custodian.

Key personnel overseeing the investment management of the fund are Robert Q. Crane, treasurer; Richard V. Kelly Sr., assistant treasurer; and Alan West, chief investment officer.

McDonnell Douglas Corp.

	($ millions)
Total assets	6,462
Defined benefit	5,000
Defined contribution	1,462
Employer contributions	na
Benefit payments	na

ST. LOUIS — As of Sept. 30, McDonnell Douglas Corp.'s total employee benefit assets decreased 4.9% to $6.462 billion from $6.8 billion a year earlier. Defined benefit assets decreased 9% during the same period, to $5 billion from $5.5 billion. Defined contribution assets increased 12.4%, to $1.462 billion from $1.3 billion.

McDonnell Douglas declined to provide information on its money managers. According to the 1989 Money Market Directory, the managers are Aetna Capital; Aetna Life; Bankers Trust; Centerre Trust; LaSalle Advisors; Mercury Asset; and TCW Realty.

MMD lists Bankers Trust as master trustee.

Key personnel overseeing the investment management of the fund are David Hammerstein, director-retirement funds management; Sheryl Kwiatek, manager-retirement funds management; and Anthony J. Mangoff, investment analyst.

Metropolitan Life Insurance Co.

	($ millions)
Total assets	3,120
Defined benefit	2,272
Thrift or savings/401(k)	776
Other	72
Employer contributions	26
Benefit payments	143
In-house assets	
Equities	545
Fixed income	1,454
Other	273
Alternative investments	
Real estate equity	273
Defined benefit asset mix	
Stocks	24%
Bonds	64%
Real estate equity	12%
Defined contribution asset mix	
Stocks	17%
Bonds	83%

NEW YORK — As of Sept. 30, Metropolitan Life Insurance Co.'s own employee benefit assets totaled $3.12 billion, virtually unchanged from $3.113 billion a year earlier. Defined benefit assets decreased 2% during the same period, to $2.272 billion from $2.318 billion. The assets of the company's thrift savings plan, which includes a 401(k) option, increased 6.3%, to $776 million from $730 million.

All of the company's employee benefit assets are managed internally.

The key person overseeing the investment management of the fund is Arthur Typermass, treasurer.

State of Michigan Employees' Retirement Systems

	($ millions)
Total assets	15,798
Defined benefit	15,798
Employer contributions	740
Benefit payments	1,129
In-house assets	
Equities	912
Fixed income	[illegible],060
Short term	2,050
Other	676
Passive investments	
Indexed stocks	150
Alternative investments	
Venture capital	228
LBOs	148
Private placements	750
Real estate equity	448
Mortgages	1,074
Mortgage-backed securities	843
Hedging devices	
Stock index futures	Y
Defined benefit asset mix	
Stocks	46%
Bonds	26%
Cash equivalents	13%
Real estate equity	3%
Mortgages	7%
Mortgage-backed securities	5%

LANSING, Mich. — As of Sept. 30, the State of Michigan Employees' Retirement Systems' total employee benefit assets decreased 1.7% to $15.798 billion from $16.073 billion. All assets are defined benefit and managed internally.

The custodian is the Michigan state treasurer.

Key personnel overseeing the investment management of the fund are W.A. Amerman, director of investments; and B.L. Stevens and G.H. Linsday, assistant directors-investments.

City of Milwaukee Employes' Retirement System

	($ millions)
Total assets	1,397
Defined benefit	1,397
Employer contributions	38
Benefit payments	54
Passive investments	
Indexed stocks	51
Dedicated/immunized	168
Alternative investments	
Real estate equity	31
Mortgage-backed securities	80
Defined benefit asset mix	
Stocks	32%
Bonds	49.3%
Cash equivalents	10%
Real estate equity	3%
Mortgage-backed securities	5.7%

MILWAUKEE — As of Sept. 30, the City of Milwaukee Employes' Retirement System's total employee benefit assets increased 3.1% to $1.397 billion from $1.355 billion a year earlier. All assets were in a defined benefit plan.

Equity managers: Alliance; Delaware; INVESCO; and Northern Trust.

Fixed-income managers: Criterion; First Wisconsin; and Loomis, Sayles.

Real estate manager: Frank Russell.

Other manager: State of Wisconsin Investment Board.

The master custodian is First Wisconsin Trust; the investment consultants are SEI and Ennis, Knupp.

Key personnel overseeing the investment management of the fund are Robert G. Nehls, director, and Paul Stawicki, pension accounting specialist.

Minnesota Mining and Manufacturing Co.

	($ millions)
Total assets	2,703
Defined benefit	2,146
401(k)	557
Employer contributions	25
Benefit payments	75
In-house assets	
Fixed income	20
Alternative investments	
International equities	101
International bonds	20
Venture capital	13
LBOs	55
Private placements	210
Real estate equity	152
Mortgages	30
Mortgage-backed securities	50
Hedging devices	
Stock index futures	Y
Fixed-income futures	Y
Defined benefit asset mix	
Stocks	51%
Bonds	25.3%
Cash equivalents	10%
Real estate equity	7%
Mortgages	1.4%
Mortgage-backed securities	2.3%
Other	3%
Defined contribution asset mix	
Stocks	20%
GICs	64%
Company stock	16%

ST. PAUL, Minn. — As of Sept. 30, Minnesota Mining and Manufacturing Co.'s total employee benefit assets decreased 4.9% to $2.703 billion from $2.843 billion a year earlier. Defined benefit assets decreased 10.1% during the same period, to $2.146 billion from $2.387 billion. The 401(k) assets increased 22.1%, to $557 million from $456 million.

Equity managers: Domestic — Alliance; Ashland; Franklin Portfolio; Grantham, Mayo, Van Otterloo; IDS Advisory; Liberty Square; Management Asset; T. Rowe Price; Trinity; TSA; and ValueQuest.

International — Grantham, Mayo, Van Otterloo and Schroder.

Fixed-income managers: Hoisington; Minnesota Mutual; PIMCO; and Sun Life.

Real estate managers: Citibank; Equitable; JMB; RCB Realty; RREEF; Schroder; and TCW.

LBO managers: Forstmann Little and HLM Partners.

Venture capital managers: Oak Ventures and Summit Ventures.

The master trustee and global custodian is Boston Safe; the investment consultant is Lewis Bailey Associates.

Key personnel overseeing the investment management of the fund are Janet L. Yeomans, director; Deborah D. Weiss, manager; and Rajbir S. Kang and David W. Brown, senior analysts.

Minnesota State Board of Investment

	($ millions)
Total assets	10,207
Defined benefit	9,657
Defined contribution	550
Employer contributions	na
Benefit payments	na
In-house assets	
Equities	442
Fixed income	3,608
Short term	276
Passive investments	
Indexed stocks	2,385
Indexed bonds	597
Dedicated/immunized	3,608
Alternative investments	
Venture capital	146
Oil and gas	78
Real estate equity	465
Defined benefit asset mix	
Stocks	35.7%
Bonds	48.6%
Cash equivalents	8.9%
Real estate equity	4.9%
Other	1.9%

ST. PAUL, Minn. — As of Sept. 30, the Minnesota State Board of Investment's total employee benefit assets increased 5.2% to $10.207 billion from $9.706 billion on June 30, 1987. Defined benefit assets increased 3.8% during the same period, to $9.657 billion from $9.305 billion. Defined contribution assets increased 37.2%, to $550 million from $401 million.

Equity managers: Alger; Alliance; BMI; Forstmann-Leff; IDS Advisory; Investment Advisers; Lieber; Waddell and Reed; and Wilshire.

Top 200 funds with defined benefit assets invested in:

Indexed bonds

Fund	Assets $ millions
New York City	14,712
California State Teachers	4,633
AT&T	3,867
Teamsters, Central States	2,586
Pennsylvania Public School	1,883
GTE	1,514
NYNEX	1,149
Mississippi Public Employees	1,127
Hospital & Healthcare Workers	778
Int'l Operating Engineers	668
Pennsylvania State Employes	604
Minnesota State Board	597
Washington State Board	570
Ameritech	550
Teamsters, Western Conference	460
UMWA	450
Illinois Teachers	400
Exxon	396
Arizona State Retirement	339
Indiana Public Employees	317
State of Delaware	290
Tenneco	280
Illinois State Universities	265
IAM Nat'l Pension Fund	262
Chevron	256
General Dynamics	240
Ford Motor	200
FPL Group	195
Maryland State Retirement	169
Prudential Insurance	154
Shell Oil	154
Sun	125
Digital Equipment	100
Nat'l Rural Electric Co-op	95
Philadelphia Municipal	86
New York Life	60
Honeywell	58
Mass. Teachers & Employees	50
Travelers Insurance	49
Bakery & Confectionery	45
Nat'l Electrical Contractors/IBEW	40
Hercules	35
Owens-Illinois	19
United Methodist Church	10
Total	40,837

Fixed-income managers: Fidelity Management; Investment Advisers; Lehman; Lincoln Capital; Miller Anderson & Sherrerd; Morgan Stanley Asset; and Western Asset.

Real estate managers: Aetna; Equitable; Heitman; Prudential; RREEF; State Street Bank; and TCW.

Venture capital/LBO managers: Allied Venture; DSV Management; First Chicago; Golder Thoma Cressey; IAI Venture; Inman and Bowman; KKR; Matrix; Norwest; Smith Barney; and Summit Ventures.

Oil and gas managers: Apache; First Reserve; and J.P. Morgan.

The master custodian is State Street Bank; the investment consultant is Richards & Tierney.

Key personnel overseeing the investment management of the fund are Howard J. Bicker, executive director; Beth Lehman, assistant director; and James E. Heidelberg, assistant to the executive director.

Public Employees' Retirement System of Mississippi

	($ millions)
Total assets	3,336
Defined benefit	3,336
Employer contributions	210
Benefit payments	201
In-house assets	
Short term	75
Passive investments	
Indexed stocks	452
Indexed bonds	1,127
Defined benefit asset mix	
Stocks	25%
Bonds	65%
Cash equivalents	10%

JACKSON, Miss. — As of Sept. 30, the Public Employees' Retirement System of Mississippi's employee benefit assets increased 3.7% from a year earlier, to $3.336 billion from $3.218 billion. All of the assets are defined benefit.

Equity managers: Bankers Trust; Boston Co.; INVESCO; Fayez Sarofim; and Sun Bank.

Fixed-income managers: Criterion; Dreyfus; Lehman; PIMCO; and Wells Fargo Investment.

The master custodian is Trustmark National Bank; the investment consultant is SEI.

Ronald D. Logan, investment manager, oversees the investment management of the fund.

Public School Retirement System of Missouri

	($ millions)
Total assets	4,500
Defined benefit/contribution	4,500
Employer contributions	165
Benefit payments	150
Passive investments	
GICs	6
Alternative investments	
Mortgages	6
Mortgage-backed securities	804
Asset mix	
Stocks	11%
Bonds	58%
Cash equivalents	13%
Mortgage-backed securities	18%

JEFFERSON CITY, Mo. — As of Sept. 30, the Public School Retirement System of Missouri's total employee benefit assets increased 7.1% to $4.5 billion from $4.2 billion as of June 30, 1987. All the assets are in a hybrid defined benefit/defined contribution plan.

Balanced managers: Boatmen's National Bank; Centerre Trust; and United Missouri Investment Counsel.

The master custodian is Boatmen's National; the investment consultant is DeMarche Associates.

The key person overseeing the investment management of the fund is David W. Mustoe, executive secretary.

Mobil Oil Corp.

	($ millions)
Total assets	3,880
Defined benefit	2,070
Defined contribution	1,810
Employer contributions	50
Benefit payments	170
Passive investments	
Indexed stocks	138
Dedicated/immunized	359
Alternative investments	
International equities	20
Mortgage-backed securities	107
Defined benefit asset mix	
Stocks	49%
Bonds	39%
Cash equivalents	7%
Mortgage-backed securities	5%
Defined contribution asset mix	
Stocks	6%
Bonds	1%
Cash equivalents	9%
GICs	35%
Company stock	49%

NEW YORK — As of Sept. 30, Mobil Oil Corp.'s total employee benefit assets decreased 10.5% to $3.88 billion from $4.336 billion a year earlier. Defined benefit assets decreased 8.4% during the same period, to $2.07 billion from $2.26 billion. Defined contribution assets decreased 4.7%, to $1.81 billion from $1.9 billion.

Equity managers: Domestic — Alliance Capital; Capital Guardian; Jennison Associates; Miller, Anderson, Sherrerd; Fayez Sarofim; State Street Research; and Wells Fargo.

International — Capital Guardian.

Fixed-income managers: State Street Research; United States Trust Co. of New York; and Henry Kaufman.

The master trustee for the defined benefit plan is United States Trust Co. of New York, and for the defined contribution plan, Bankers Trust.

Key personnel overseeing the investment management of the fund are Robert B. Hahnen, manager of corporate benefits-finance; Geraldine A. Michalin, assistant manager, corporate benefits-finance; and Patricia A. Pagano, senior financial analyst.

Monsanto Co.

	($ millions)
Total assets	3,990
Defined benefit	3,150
Thrift or savings/401(k)	840
Employer contributions	na
Benefit payments	na
In-house assets	
Fixed income	68

Alternative investments	
International equities	210
Oil and gas	2
Private placements	40
Real estate equity	260
Mortgages	40
Hedging devices	
Stock options	Y
Bond options	Y
Stock index futures	Y
Fixed-income futures	Y
Defined benefit asset mix	
Stocks	59%
Bonds	23.7%
Cash equivalents	6%
Real estate equity	10%
Mortgages	1.3%
Defined contribution asset mix	
Stocks	30%
GIC's	50%
Company stock	19%
Other	1%

ST LOUIS — As of Sept 30, Monsanto Co.'s total employee benefit assets decreased 7.2% to $3.99 billion from $4.3 billion a year earlier. Defined benefit assets decreased 10% during the same period, to $3.15 billion from $3.5 billion. Defined contribution assets increased 5%, to $840 million from $800 million.

Managers: Analytic Investment; Brown Capital; Capital Guardian; Centerre; Chancellor; Martin Currie; Delaware; Equitable Real Estate; Fischer, Francis, Trees & Watts; Hagler, Mastrovita & Hewitt; Hotchkis and Wiley; W.R. Huff; Jennison; J.P. Morgan; Landauer; LaSalle Advisors; Lincoln Capital; Lord Abbett; T. Rowe Price; PRIMECAP; RCM; Rowe Price-Fleming; Security Pacific; Standish, Ayer & Wood; State Street Research; STW; TCW; TCW Realty; RREEF; and Trinity Investment.

The master trustee for the defined benefit plan is Northern Trust; the global custodian is Northern Trust; the investment consultant is Frank Russell.

Key personnel overseeing the investment management of the fund are A.E. Wolfarth, assistant treasurer; W.N. Searcy, manager-pension asset management; and W.H. Crabbin, pension analyst.

Motorola Inc.

	($ millions)
Total assets	1,618
Defined benefit	472
Defined contribution	1,146
Employer contributions	na
Benefit payments	na
Passive investments	
Indexed stocks	36
Alternative investments	
International equities	20
Defined benefit asset mix	
Stocks	55%
Bonds	30%
Cash equivalents	15%
Defined contribution asset mix	
Stocks	40%
Bonds	44%
Cash equivalents	16%

SCHAUMBURG, Ill. — As of Sept. 30, Motorola Inc.'s total employee benefit assets increased 19.1% to $1.618 billion from the $1.358 billion reported as of March 31, 1987. Defined benefit assets increased 0.4% during the same period, to $472 million from $470 million. Defined contribution assets increased 29.1%, to $1.146 billion from $888 million.

Equity managers. Domestic — Capital Guardian; Delaware; Jennison; Lehman; and Lincoln Capital.

International — Morgan Grenfell.

Fixed-income managers: Brown Brothers Harriman; Scudder, Stevens & Clark, and Stein Roe & Farnham.

The master trustees are Northern Trust and Harris Trust; the global custodians are Northern Trust and Mitsubishi Bank.

Key personnel overseeing the investment management of the fund are Garth Milne, treasurer, and Martha B. Olson, assistant treasurer-investments.

Pensions & Investment Age welcomes letters to the editor from its readers.

Letters should include name, address and, if applicable, the company of the writer.

The editors reserve the right to edit any letter for reasons of space or clarity.

N

National Electrical Contractors Association/International Brotherhood of Electrical Workers

	($ millions)
Total assets	3,045
Defined benefit	2,906
Defined contribution	139
Employer contributions	108
Benefit payments	95
In-house assets	
Equities	2
Fixed income	496
Short term	96
Other	142
Passive investments	
Indexed stocks	373
Indexed bonds	40
GIC's	40
Alternative investments	
Venture capital	10
Real estate equity	137
Mortgages	105
Mortgage-backed securities	68
Defined benefit asset mix	
Stocks	30.7%
Bonds	45%
Cash equivalents	12.2%
Real estate equity	4.7%
Mortgages	3.6%
Mortgage-backed securities	2.4%
GIC's	1.4%
Defined contribution asset mix	
Stocks	22.5%
Bonds	30.3%
Cash equivalents	18.4%
GIC's	18%
Other	10.8%

WASHINGTON — As of Sept. 30, the National Electrical Contractors Association/International Brotherhood of Electrical Workers' total employee benefit assets increased 9.9% to $3.045 billion from $2.77 billion a year earlier.

Equity managers: ASB Capital; Boston Co.; Chicago Corp.; Columbia Management; Denver Investment; Fidelity Management; IDS Advisory; Loomis, Sayles; Oppenheimer; RCM; and Triangle Portfolio.

Fixed-income managers: ASB Capital and Fidelity Management.

Real estate managers: ASB Capital.

The master trustee and global custodian is Boston Safe Deposit. The consultant is Marco Consulting Group.

Key personnel overseeing investment management of the fund are Roy Dickinson, executive assistant, and Tina Samson, investment manager.

National Rural Electric Cooperative Association

	($ millions)
Total assets	1,982
Defined benefit	1,586
Defined contribution	372
Other	24
Employer contributions	na
Benefit payments	na
In-house assets	
Equities	327
Fixed income	257
Short term	153
Passive investments	
Indexed stocks	106
Indexed bonds	95
Alternative investments	
International equities	99
Mortgage-backed securities	5
Defined benefit asset mix	
Stocks	55%
Bonds	32%
Cash equivalents	13%
Defined contribution asset mix	
Stocks	26%
Cash equivalents	23%
GICs	51%

WASHINGTON — As of Sept. 30, the National Rural Electric Cooperative Association's total employee benefit assets decreased 3.2% to $1.982 billion from $2.048 billion a year earlier. Defined benefit assets decreased 9.2% during the same period, to $1.586 billion from $1.747 billion. Defined contribution assets increased 23.5%, to $373 million from $302 million.

Equity managers: Domestic — Bankers Trust; Barrow, Hanley; C-S Capital; Capital Guardian; and Chesapeake.

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Chicago Board of Trade

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International — Grantham, Mayo, Van Otterloo and J.P. Morgan.

Fixed-income managers: Lincoln Income.

State Street Bank is the master trustee and global custodian.

Key personnel overseeing the investment management of the fund are Peter R. Morris, executive director-investments; Stuart E. Teach, senior equity portfolio manager; and Douglas G. Kern, senior fixed-income portfolio manager.

Navistar International Transportation Corp.

	($ millions)
Total assets	1,785
Defined benefit	1,772
401(k)	13
Employer contributions	387
Benefit payments	232
Passive investments	
Dedicated/immunized	1,772
Hedging devices	
Fixed income futures	Y
Defined benefit asset mix	
Bonds	100%

CHICAGO — As of Sept. 30, total employee benefit assets of Navistar International Transportation Corp., the main unit of Navistar International Corp., increased 11.1% to $1.785 billion from $1.606 billion a year earlier. Defined benefit assets increased 10.8% during the same period, to $1.772 billion from $1.6 billion. 401(k) assets increased 116.7% to $13 million from $6 million.

Fixed-income managers: Jennison and J.P. Morgan.

The master trustee is Bankers Trust.

Key personnel overseeing the investment management of the fund are Robert C. Lannert, vice president and treasurer, and Terry Endsley, manager-pension and long-term investments.

NCR Corp.

	($ millions)
Total assets	1,343
Defined benefit	1,148
Defined contribution	142
Profit sharing	53
Employer contributions	na
Benefit payments	na
Alternative investments	
International equities	49
Venture capital	2
Private placements	2
Real estate equity	91
Defined benefit asset mix	
Stocks	56.2%
Bonds	24.9%
Cash equivalents	10.6%
Real estate equity	7.9%
Other	0.4%

DAYTON, Ohio — As of Sept. 30, NCR Corp. had $1.343 billion in total employee benefit assets, of which $1.148 billion comprised defined benefit assets and $142 million, defined contribution assets.

Equity managers: Domestic — Columbus Circle; INVESCO; Newbold's; Trinity.

International — Wells Fargo.

Fixed-income manager: Wells Fargo.

Real estate manager: Equitable.

Tactical asset allocators: Mellon Capital and Wells Fargo.

Venture capital manager: Oxford Partners.

The master trustees are Citibank (defined benefit plan) and State Street Bank (defined contribution); the investment consultant is BARRA.

The key person overseeing the investment management of the fund is the assistant treasurer-benefit plans financing.

Public Employees Retirement System of Nevada

	($ millions)
Total assets	2,682
Defined benefit	2,682
Employer contributions	189
Benefit payments	97
In-house assets	
Other	5
Passive investments	
Indexed stocks	556
Dedicated/immunized	427
Alternative investments	
Other international	96
Venture capital	6
Real estate equity	167
Mortgages	125
Mortgage-backed securities	219
Hedging devices	
Stock options	Y
Defined benefit asset mix	
Stocks	40.5%
Bonds	39.8%
Cash equivalents	0.4%
Real estate equity	6.2%
Mortgages	4.7%
Mortgage-backed securities	8.2%
Other	0.2%

CARSON CITY, Nev. — As of Sept. 30, the Public Employees Retirement System of Nevada's total employee benefit assets increased 6.6% to $2.682 billion from $2.515 billion a year earlier. All of the assets are in a defined benefit plan.

Equity managers: Domestic — Alliance; Criterion; Dimensional Fund; INVESCO; Loomis, Sayles, and Wells Fargo.

International — Axe Core.

Fixed-income managers: Criterion; Patterson Capital; Putnam; and State Street Research.

Real estate managers: Heitman; JMB; Karsten Realty; J.P. Morgan; PMRealty; Prudential; and TCW.

Other managers: Balch, Hardy & Scheinmann; Bankers Trust; Bay Partners; Columbine Ventures; Golder, Thoma, Cressey, and Summit Ventures.

The master custodian is Nevada National Bank; the investment consultant is Mercer-Meidinger-Hansen.

Key personnel overseeing the investment management of the fund are Laura B. Wallace, investment officer, and Peggy I. Clark, investment analyst.

New Jersey Division of Investment

	($ millions)
Total assets	20,092
Defined benefit	19,892
Other	200
Employer contributions	800
Benefit payments	400
In-house assets	
Equities	9,229
Fixed income	7,022
Short term	1,072
Other	2,569
Alternative investments	
Private placements	50
Mortgage-backed securities	2,569
Hedging devices	
Stock options	Y
Defined benefit asset mix	
Stocks	46.4%
Bonds	35.3%
Cash equivalents	5.4%
Mortgage-backed securities	12.9%
Defined contribution asset mix	
Stocks	73%
Bonds	6.5%
Cash equivalents	20.5%

TRENTON, N.J. — As of Sept. 30, the New Jersey Division of Investment's total employee benefit assets increased 1.6% to $20.092 billion from $19.785 billion a year earlier. Defined benefit assets also increased 1.6% during the same period, to $19.892 billion from $19.57 billion. Defined contribution assets decreased 7% to $200 million from $215 million.

All assets are managed internally.

A group of 12 banks serves as custodian.

Key personnel overseeing the investment management of the fund are Roland M. Machold, director; and Stephen Kornrumpf, assistant director.

New Mexico Educational Retirement Board

	($ millions)
Total assets	1,750
Defined benefit	1,750
Employer contributions	65
Benefit payments	70
In-house assets	
Equities	80
Fixed income	1,660
Short term	10
Alternative investments	
Mortgage-backed securities	140
Defined benefit asset mix	
Stocks	4.5%
Bonds	87%
Cash equivalents	0.5%
Mortgage-backed securities	8%

SANTA FE, N.M. — As of Sept. 30, the market value of the New Mexico Educational Retirement Board's total employee benefit assets was $1.75 billion. In 1987, the board reported assets at book value, so a comparison is not valid.

All assets are defined benefit and managed internally.

Equity adviser: Vaughn, Nelson, Scarborough & McConnell.

The master custodian is Irving Trust.

The key person overseeing the investment management of the fund is John E. Young, investment officer.

New Mexico Public Employees' Retirement Association

	($ millions)
Total assets*	1,513
Defined benefit	1,513
Employer contributions	127
Benefit payments	na

*From Money Market Directory

SANTA FE, N.M. — As of June 30, the New Mexico Public Employees Retirement Association's total employee benefit assets increased 2.9% to $1.513 billion from $1.471 billion Sept. 30, 1987.

All new information for this profile came from the 1989 Money Market Directory.

Investment managers: Criterion; Fiduciary Trust; First Chicago; INVESCO; and Wentworth Hauser & Violich.

The custodian is Irving Trust; the investment consultant is Wilshire.

Key personnel overseeing the investment management of the fund are Carlos Gallegos, executive secretary, and Judith K. Alderson, director-investment division.

New York City Retirement Systems

	($ millions)
Total assets	35,537
Defined benefit	35,537
Employer contributions	2,059
Benefit payments	1,306
In-house assets	
Fixed income	408
Short term	693
Passive investments	
Indexed stocks	7,653
Indexed bonds	14,712
GICs	1,004
Alternative investments	
Mortgages	62
Mortgage-backed securities	580
Defined benefit asset mix	
Stocks	36%
Bonds	43%
Cash equivalents	2%
Mortgage-backed securities	16%
GICs	3%

NEW YORK — As of Sept. 30, the New York City Retirement Systems' total employee benefit assets increased 5.6% to $35.537 billion from $33.633 billion a year earlier, all in defined benefit assets.

The New York City comptroller's office oversees all investments for the New York City Employees', the Fire Department and the Police Department retirement systems and oversees fixed-income investments for the Teachers' and the Board of Education systems. The Teachers' system oversees its GIC and equity investments and the equity investments of the Board of Education system.

All the managers listed below are for the assets overseen by the comptroller.

Equity managers: Bankers Trust; Bear Stearns; Fidelity Management Trust; Investment Advisers; J&W Seligman; Lazard Freres; Oppenheimer; Stein Roe; and TCW.

Fixed-income managers: Bankers Trust; BEA; Bear Stearns; Chase; Fiduciary Trust; Fischer, Francis; Investment Advisers; Kennedy; Lehman; Lincoln; Mellon; Miller, Anderson; Mitchell Hutchins; PIMCO; T. Rowe Price; Putnam; RCM; Smith Barney; State Street Bank; Weiss, Peck; and Wells Fargo.

The master custodian of assets overseen by the comptroller is Citibank; the investment consultants are Buck; Callan; EAI; Rogers, Casey & Barksdale; and SEI. RCB is also the Teachers' consultant.

Key personnel overseeing the investment management of the systems overseen by the comptroller's office are Beverly L. Hamilton, third deputy comptroller; William Paolino, chief-bureau of asset management; David McNiff, chief-investment analysis; John Burns, senior investment analyst-international; Stewart Dier, senior investment analyst-fixed income; and Rene Kenny, senior investment analyst-real estate.

Top 200 funds with defined benefit assets:

Internally managed

Fund	Assets $ millions	Fund	Assets $ millions
California Public Employees	41,800	New York City	1,101
New York State & Local	32,944	CIGNA	1,025
New York State Teachers	20,399	Shell Oil	1,019
New Jersey Investment	19,892	Ford Motor	1,000
General Electric	19,500	GenCorp	983
Texas Teachers	19,439	New York Life	966
Wisconsin Investment Board	16,419	American Airlines	900
Ohio Public Employees	16,040	Hughes Aircraft	900
State of Michigan	15,798	Hawaii State Employees	874
Ohio State Teachers	15,348	Pennsylvania Public School	789
E.I. du Pont de Nemours	11,570	Kentucky Retirement	773
IBM	11,000	Nat'l Rural Electric Co-op	737
University of California	10,123	Nat'l Electrical Contractors/IBEW	736
North Carolina Systems	9,832	NYNEX	614
USX	8,550	Louisiana Teachers	566
Florida State Board	8,262	Trans World Air Lines	556
Georgia Teachers	7,525	RJR Nabisco	550
United Nations Joint Staff	7,146	UMWA	550
Alabama Systems	7,000	Louisiana State	525
Maryland State	6,858	BellSouth	513
Colorado Public Employees	6,700	Armco	501
Tennessee Consolidated	6,582	Rhode Island Retirement	450
Washington State Board	6,080	Digital Equipment	417
South Carolina Retirement	6,009	BP America	379
Texas Employees	5,108	Amoco	366
Minnesota State Board	4,326	Chevron	360
Prudential Insurance	4,084	Chrysler	358
Chicago Teachers	2,981	Martin Marietta	310
Georgia Employees	2,945	Delta Airlines	300
Oregon Public Employes	2,800	Kentucky Teachers	208
Bethlehem Steel	2,700	Arkansas Teachers	199
Sears, Roebuck	2,441	Illinois Municipal	191
Utah State	2,430	Kansas Public Employees	175
Metropolitan Life	2,272	Los Angeles City	175
Aetna Life & Casualty	2,242	United Methodist Church	171
California State Teachers	2,240	Oklahoma Teachers	150
Alaska Retirement Systems	2,099	K mart	149
GTE	2,050	Southern Baptist Convention	129
Ameritech	2,000	Bakery & Confectionery	124
Massachusetts Teachers	2,000	Philadelphia Municipal	106
General Dynamics	2,000	Los Angeles Fire & Police	90
Textron	1,860	Los Angeles Water & Power	82
Ohio Police & Firemen	1,819	Mississippi Public Employees	75
Deere	1,800	Teamsters, Central States	72
Grumman	1,800	Southern California UFCW	72
New Mexico Educational	1,750	Eli Lilly	70
Union Carbide	1,711	Los Angeles County	70
Westinghouse Electric	1,665	Monsanto	69
Ohio School Employees	1,620	Arizona State	68
AT&T	1,615	Chicago Municipal	68
Commonwealth Edison	1,566	Detroit Systems	50
Atlantic Richfield	1,425	New Mexico Public Employees	45
Travelers Insurance	1,376	United Parcel Service	35
Illinois State Board	1,320	Episcopal Church	30
Allied-Signal	1,300	Minnesota Mining & Mfg.	20
Connecticut Trust Funds	1,226	Boilermaker Blacksmith	8
San Francisco Employees	1,205	Nevada Public Employees	5
Exxon	1,185	**Total**	**426,732**
Virginia Supplemental	1,131		

Key personnel overseeing investments of the Teachers' system are Donald S. Miller, executive director; Patrick J. Kiernan, deputy director-fiscal; and Diane R. Sisenwein, portfolio administrator.

New York Life Insurance Co.

	($millions)
Total assets*	1,500
Defined benefit	1,338
Defined contribution	162
Employer contributions	na
Benefit payments	46

**P&I Age* estimate

In-house assets	
Fixed income	909
Other	35
Passive investments	
Indexed stocks	41
Indexed bonds	40
Alternative investments	
Real estate equity	33
Defined benefit asset mix	
Stocks	16.4%
Bonds	13.1%
Real estate equity	2.6%
Other	67.9%
Defined contribution asset mix	
Stocks	17%
Bonds	2.7%
Cash equivalents	64.8%
GICs	12.6%
Other	2.9%

NEW YORK — As of Sept. 30, *Pensions & Investment Age* estimates New York Life Insurance Co.'s total employee benefit assets were $1.5 billion, up 6.8% from the $1.404 billion the company reported as of year-end 1987 and down 4.2% from the $1.566 billion *P&I Age* estimated it held as of Sept. 30, 1987.

All assets are managed by New York Life and its subsidiary, MacKay-Shields.

Key personnel overseeing the investment management of the fund are Donald K. Ross, chairman, George A. W. Bundschuh, vice chairman, and Harry Hohn, vice chairman.

New York State & Local Retirement Systems

	($ millions)
Total assets	37,918
Defined benefit	37,918
Employer contributions	1,321
Benefit payments	1,382
In-house assets	
Equities	12,598
Fixed income	15,728
Short term	1,083
Other	3,535
Passive investments	
Indexed stocks	12,598
Alternative investments	
Venture capital	55
LBOs	423
Real estate equity	347
Mortgages	2,701
Mortgage-backed securities	2,567
Defined benefit asset mix	
Stocks	46.3%
Bonds	34.7%
Cash equivalents	2.9%
Mortgages	7.1%
Mortgage-backed securities	6.8%
Other	2.2%

ALBANY, N.Y. — As of Sept. 30, the New York State & Local Retirement Systems' total employee benefit assets decreased 2.1% to $37.918 billion from $38.747 billion a year earlier. All assets are defined benefit.

Investment managers: Alliance; Capital Guardian; Delaware; Equitable Investment; Lazard Freres; Lord, Abbett; Miller, Anderson & Sherrerd; Oppenheimer; J&W Seligman; Shearson; and Wells Fargo.

Real estate managers: CIGNA; Corporate Property Investors; Eastdil; Goldman, Sachs; JMB; LaSalle; J.W. O'Connor; and RREEF.

LBO managers: Forstmann Little and KKR.

Venture capital managers: APA Excelsior; Bridge Capital; Crossroads; Montgomery Bridge; New York State Business Venture Partnership; Peregrine Ventures; and U.S. Venture Partners.

The master trustee is Chase Manhattan; the investment consultant is Wilshire.

Key personnel overseeing the investment management of the fund are John E. Hull, deputy comptroller-division of investments and cash management; John J. O'Connor, chief investment officer; and William M. Barrett, director-equities and fixed-income investment.

New York State Teachers' Retirement System

	($ millions)
Total assets	22,779
Defined benefit	22,779
Employer contributions	911
Benefit payments	771
In-house assets	
Equities	9,795
Fixed income	[illegible]
Short term	519
Other	105
Passive investments	
Indexed stocks	4,517
Alternative investments	
International equities	100
Venture capital	47
Private placements	616
Real estate equity	31
Mortgages	904
Mortgage-backed securities	862
Defined benefit asset mix	
Stocks	[illegible]
Bonds	[illegible]
Cash equivalents	2%
Mortgages	9%
Mortgage-backed securities	4%

ALBANY, N.Y. — As of Sept. 30, the New York State Teachers' Retirement System's total employee benefit assets decreased 1.1% to $22.779 billion from $23.035 billion a year earlier. All the assets were defined benefit assets.

Equity managers: Sanford Bernstein; Beutel, Goodman Capital; General American Advisers; Glickenhaus; Lehman; and Oppenheimer Capital.

Fixed-income manager: Sanford Bernstein.

The master custodian is Bankers Trust; the investment consultant is Buck.

Key personnel overseeing the investment management of the fund are Harold N. Langlitz, executive director; Edward J. Reno Jr., securities investment officer; and George M. Philip, chief real estate investment officer.

North Carolina Retirement Systems

	($ millions)
Total assets	13,800
Defined benefit	13,800
Employer contributions	531
Benefit payments	553
In-house assets	
Fixed income	9,832
Passive investments	
Indexed stocks	989
Alternative investments	
International equities	162
International bonds	105
Private placements	279
Real estate equity	182
Mortgage-backed securities	1,325
Hedging devices	
Stock options	Y
Defined benefit asset mix	
Stocks	25.8%
Bonds	63.1%
Cash equivalents	0.2%
Real estate equity	1.3%
Mortgage-backed securities	9.6%

RALEIGH, N.C. — As of Sept. 30, North Carolina Retirement Systems' total employee benefit assets increased 10.9% to $13.8 billion from $12.446 billion a year earlier. All assets are defined benefit.

Equity managers: Domestic — Alliance; Branch Bank; Central Carolina Bank; First Citizens Bank; First Union Bank; First Wachovia; NCNB; and Thorndike, Doran, Paine & Lewis.

International — Alliance; Branch Bank; Central Carolina Bank; First Citizens Bank; First Union Bank; First Wachovia; NCNB; and Thorndike, Doran, Paine & Lewis.

Real estate managers: Aetna; CIGNA; First Wachovia; Goldman, Sachs; NCNB; and Sentinel.

The master custodian is Bank of New York.

Key personnel overseeing the investment management of the fund are Harlan E. Boyles, state treasurer; C. Douglas Chappell, deputy treasurer and director-investment and banking division; and P. Keith Leonard, assistant state investment officer.

Structured investing: Feb. 20.

Northrop Corp.

	($ millions)
Total assets	2,979
Defined benefit	2,243
Defined contribution	736
Employer contributions	0
Benefit payments	60
Defined benefit asset mix	
Stocks	65%
Bonds	25%
Cash equivalents	10%
Defined contribution asset mix	
Stocks	37%
Bonds	9%
Cash equivalents	21%
Company stock	33%

LOS ANGELES — As of Sept. 30, Northrop Corp.'s total employee benefit assets decreased 12.4% to $2.979 billion from $3.402 billion a year earlier. Defined benefit assets decreased 11% during the same period, to $2.243 billion from $2.519 billion, while defined contribution assets decreased 16.6%, to $736 million from $883 million.

Equity managers: Capital Guardian; Forstmann-Leff; Jennison; Putnam; RCM; and State Street Research.

Fixed-income managers: Fischer, Francis, Trees & Watts and Jennison.

The master trustee is Bankers Trust.

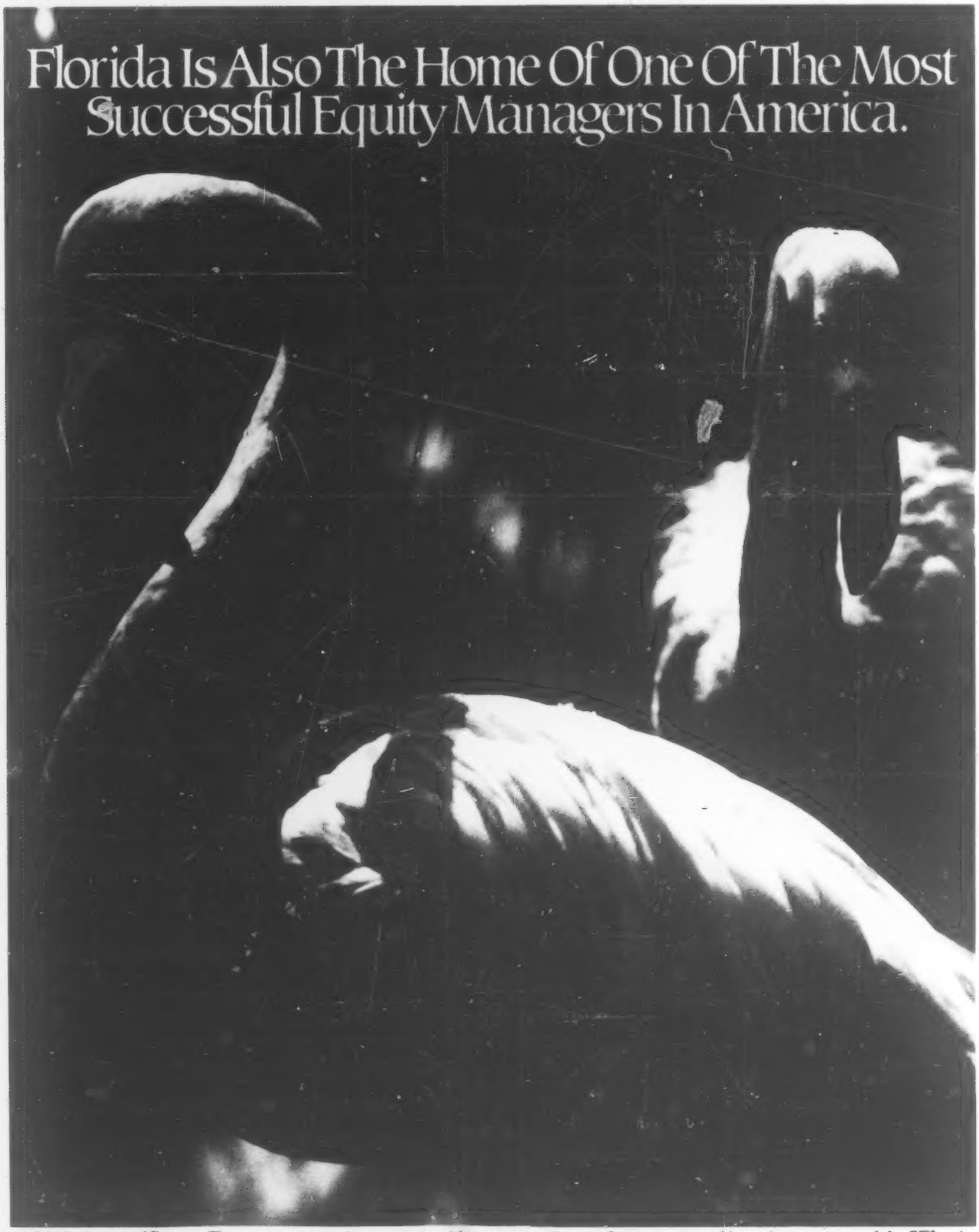
The key person overseeing the investment management of the fund is Richard B. Lohrer, vice president-trust investments.

NYNEX Corp.

	($ millions)
Total assets	13,401
Defined benefit	11,262
Defined contribution	2,139
Employer contributions	89
Benefit payments	496
In-house assets	
Fixed income	614
Passive investments	
Indexed stocks	4,114
Indexed bonds	1,149
Alternative investments	
International equities	453
Venture capital	26
Private placements	150
Real estate equity	809
Mortgage-backed securities	450
Hedging devices	
Stock options	Y
Bond options	Y
Stock index futures	Y
Fixed-income futures	Y
Defined benefit asset mix	
Stocks	58%
Bonds	31%
Real estate equity	7%
Mortgage-backed securities	4%
Defined contribution asset mix	
Stocks	25%
Bonds	7%
GICs	28%
Company stock	40%

NEW YORK — As of Sept. 30, NYNEX Corp.'s total employee benefit assets decreased 6.5% to $13.401 billion from $14.336 billion a year earlier. Defined benefit assets decreased 5.9% during the same period, to $11.262 billion from $11.966 billion. Defined contribution assets decreased 9.7% to $2.139 billion from $2.37 billion.

Equity managers: Domestic — American National, Chicago; Barrow, Hanley, Mewhinney & Strauss; Bat-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terymarch; Daniel Breen; Dimensional; Fidelity Management Trust; Franklin Portfolio; McCowan; Mitchell Hutchins; Trinity Investment; TCW; and Wells Fargo Investment.

International — American National, Chicago; Capital Guardian; Dimensional; Mellon-Pictet; and Wells Fargo Investment.

Fixed-income managers: Domestic — Boston Co.; Brown Brothers Harriman; John Hancock; Jennison; Lincoln Capital; Massachusetts Financial; Miller Anderson & Sherrerd; Mitchell Hutchins; Prudential Capital; Standish Ayer & Wood; State Street Research; and Western Asset.

International — Prudential Capital.

Real estate managers: Aldrich Eastman & Waltch; Corporate Property Investors; Heitman Advisory; and McMahan.

The master trustee and global custodian is Mellon.

Key personnel overseeing the investment management of the fund are L.R. Smart, corporate director-finance, and J.E. Clines, director-investment management.

O

Police and Firemen's Disability and Pension Fund of Ohio

	($ millions)
Total assets	2,614
Defined benefit	2,614
Employer contributions	118
Benefit payments	117
In-house assets	
Fixed income	1,181
Short term	438
Passive investments	
Indexed stocks	228
Alternative investments	
Venture capital	14
Real estate equity	120
Mortgages	19
Mortgage-backed securities	306
Hedging devices	
Stock options	Y
Defined benefit asset mix	
Stocks	25%
Bonds	41%
Cash equivalents	17%
Real estate equity	5%
Mortgage-backed securities	12%

COLUMBUS, Ohio — As of Sept. 30, the Police and Firemen's Disability and Pension Fund of Ohio's total employee benefit assets increased 4.5% to $2.614 billion from $2.502 billion a year earlier. All assets are defined benefit.

Equity managers: Atalanta Sosnoff; Axe Core; Bankers Trust; Duff & Phelps; Loomis, Sayles; Oppenheimer; Society Bank; and Value Line.

Real estate managers: Copley; Schroder; TA Associates; Trident; Meyer.

Venture capital managers: Cardinal Financial; Primus.

The master custodian is the state treasurer; the real estate investment consultant is The Townsend Group.

Key personnel overseeing the investment management of the fund are Theodore G. Hall, investment manager, and Christopher Woods, fixed-income portfolio manager.

Ohio Public Employees' Retirement System

	($ millions)
Total assets	16,408
Defined benefit	16,408
Employer contributions	780
Benefit payments	860
In-house assets	
Equities	3,276
Fixed income	10,661
Short term	2,079
Other	24
Alternative investments	
Venture capital	24
Private placements	100
Real estate equity	368
Mortgage-backed securities	5,882
Defined benefit asset mix	
Stocks	20%
Bonds	29%
Cash equivalents	13%
Real estate equity	2%
Mortgage-backed securities	36%

COLUMBUS, Ohio — As of Sept. 30, the Ohio Public Employees' Retirement System's total employee benefit assets increased 9.5% to $16.408 billion from $14.985 billion a year earlier. All assets are defined benefit.

Real estate managers: Bristol Group; CIGNA; NCNB; Rothschild; Sentinel; and Wells Fargo.

The master custodian is the state treasurer; the investment consultants are SEI, A. Gary Shilling and Value Line.

The key person overseeing the investment management of the fund is Robert A. McLaughlin, investment officer.

School Employees Retirement System of Ohio

	($ millions)
Total assets	2,418
Defined benefit	2,418
Employer contributions	234
Benefit payments	201
In-house assets	
Equities	202
Fixed income	973
Short term	250
Other	195
Passive investments	
Indexed stocks	658
Alternative investments	
Venture capital	24
Real estate equity	269
Mortgages	43
Mortgage-backed securities	489
Hedging devices	
Stock options	Y
Defined benefit asset mix	
Stocks	35.5%
Bonds	20%
Cash equivalents	10.1%
Real estate equity	11.1%
Mortgages	1.8%
Mortgage-backed securities	20.1%
Venture capital	1%

COLUMBUS, Ohio — As of Sept. 30, the School Employees Retirement System of Ohio's total employee benefit assets increased 0.4% to $2.418 billion from $2.409 billion a year earlier. All assets are defined benefit.

Equity manager: Mellon Capital.

Real estate managers: Equitable, NCNB, and Prudential.

Venture capital managers: Cardinal Capital, Morgenthaler, and Primus.

The master custodian is the state treasurer; the investment consultant is Ronald A. Karp Associates.

Key personnel overseeing the investment management of the fund are Paul M. Kubinsky, director of investments, and Robert G. Cowman, assistant director of investments.

State Teachers Retirement System of Ohio

	($ millions)
Total assets	15,348
Defined benefit	15,348
Employer contributions	672
Benefit payments	810
In-house assets	
Equities	4,852
Fixed income	7,456
Short term	1,205
Other	1,835
Passive investments	
Dedicated/immunized	205
Alternative investments	
Venture capital	25
Private placements	11
Real estate equity	1,835
Mortgages	1,045
Mortgage-backed securities	1,571
Hedging devices	
Stock options	Y
Fixed-income futures	Y
Defined benefit asset mix	
Stocks	32%
Bonds	31%
Cash equivalents	8%
Real estate equity	12%
Mortgages	7%
Mortgage-backed securities	10%

COLUMBUS, Ohio — As of Sept. 30, the State Teachers Retirement System of Ohio's total employee benefit assets increased 3.6% to $15.348 billion from $14.821 billion a year earlier. All of the assets are in an internally managed defined benefit plan.

The master custodian is the state treasurer.

Thorndike, Doran, Paine & Lewis serves as consultant on the financial markets and Thomas L. Karsten, as real estate consultant.

Key personnel overseeing the investment management of the fund are C. James Grothaus, executive director; Stephen A. Mitchell, director of investments; and Daniel M. Szente, assistant director-investments.

Oklahoma Teachers' Retirement System

	($ millions)
Total assets	1,800
Defined benefit	1,700
Other	100
Employer contributions	120
Benefit payments	280
In-house assets	
Short term	150
Defined benefit asset mix	
Stocks	21%
Bonds	70%
Cash equivalents	9%

OKLAHOMA CITY — As of Sept. 30, the Oklahoma Teachers' Retirement System's total employee benefit assets increased 3.7% to $1.8 billion from $1.735 billion a year earlier. Defined benefit assets decreased 2% during the same period, to $1.7 billion from $1.735 billion.

Equity managers: Capital Advisors and Lazard.

Fixed-income managers: Siebel Capital.

Balanced managers: Bank of Oklahoma; First Investment; Tom Johnson; and Liberty National.

The master custodian is First Interstate; the investment consultant is Kidder Peabody.

Key personnel overseeing investment management of the fund are Tommy C. Beavers, executive secretary; Randall L. Kopsa, secretary-treasurer; and Jo Witt, manager-financial operations.

Central Pension Fund of the International Union of Operating Engineers and Participating Employers

	($ millions)
Total assets	1,832
Defined benefit	1,832
Employer contributions	100
Benefit payments	74
Passive investments	
Indexed stocks	464
Indexed bonds	668
GICs	104
Alternative investments	
Real estate equity	18
Mortgages	181
Mortgage-backed securities	16
Hedging devices	
Stock options	Y
Defined benefit asset mix	
Stocks	31.4%
Bonds	39.5%
Cash equivalents	11.5%
Real estate equity	1%
Mortgages	9.9%
Mortgage-backed securities	1
GICs	5.7%

WASHINGTON — As of Sept. 30, the Central Pension Fund of the International Union of Operating Engineers and Participating Employers' total employee benefit assets increased 6.6% to $1.832 billion from $1.718 billion a year earlier. All of the assets are defined benefit assets.

Equity managers: Analytic Investment; Sanford Bernstein; Concord Capital; and Wells Fargo.

Fixed-income managers: Criterion; Loomis Sayles; Lowe, Brockenbrough, Tierney & Tattersall; and Wells Fargo.

Real estate manager: Aldrich, Eastman & Waltch.

The master trustee is State Street Bank; the investment consultant is Ennis, Knupp.

Key personnel overseeing the investment management of the fund are Jack E. Johnson, director of finance, and Robert A. Birch, assistant to the director of finance.

Oregon Public Employes Retirement System

	($ millions)
Total assets	8,800
Defined benefit	8,800
Employer contributions	348
Benefit payments	300
In-house assets	
Fixed income	2,800
Alternative investments	
International equities	800
Venture capital	100
LBOs	500
Real estate equity	375
Mortgages	460
Mortgage-backed securities	140
Defined benefit asset mix	
Stocks	57%
Bonds	25%
Real estate equity	4.3%
Mortgages	5.3%
Mortgage-backed securities	1.6%
Venture capital	1.1%
LBOs	5.7%

SALEM, Ore. — As of Sept. 30, the Oregon Public Employes Retirement System's employee benefit assets showed minimal growth, reporting $8.8 billion compared with $8.789 billion a year earlier. All assets are defined benefit.

Equity managers: Domestic — Batterymarch; BEA; Columbia Management; Cutler; Franklin Asset Management; Froley, Revy Investment; General American Investors; Harris Associates; Hotchkis & Wiley; Olympic Management; Pinnacle Associates; Quest Advisory; Rosenberg Capital; Fayez Sarofim; George D. Springman; Thompson-Rubinstein; and William D. Witter.

International — Cursitor-Eaton; Daiwa; Globe-Finlay; Matushka-Moser; Nomura Capital Management; Rowe Price-Fleming; and Wertheim-Phillipe.

Real estate managers: Alex Brown and PRA Securities.

LBO manager: KKR.

The master custodian for fixed income is Chase, while for equities it is First Interstate of Oregon; investment consultants are Frank Russell and Wilshire.

Key personnel overseeing the investment management of the fund are Jim George, manager; Bill Unvertzagt, senior investment officer for bonds; Jim Yasutome, senior investment officer for short-term investments; and Terry Canby, senior investment officer for real estate and mortgages.

Top 200 funds with defined benefit assets invested in:

Internally managed indexed equities

Fund	Assets $ millions
New York State & Local	12,598
New York State Teachers	9,517
California Public Employees	4,109
General Electric	3,700
Florida State Board	1,878
E.I. du Pont de Nemours	1,531
Deere	1,000
Exxon	833
Sears, Roebuck	776
Ameritech	650
Alabama Systems	603
Prudential Insurance	573
Utah State	520
Georgia Teachers	478
RJR Nabisco	383
Chrysler	358
Colorado Public Employees	327
Kentucky Retirement	301
GTE	242
Texas Employees	201
Virginia Supplemental	175
Maryland State	169
State of Michigan	150
Travelers Insurance	98
Georgia Employees	89
CIGNA	44
Total	**41,303**

Top 200 funds with defined benefit assets invested in:

Internally managed indexed bonds

Fund	Assets $ millions
NYNEX	614
Washington State Board	570
UMWA	450
General Dynamics	240
Exxon	226
Prudential Insurance	154
Travelers Insurance	49
Total	**2,303**

Owens-Illinois Inc.

	($ millions)
Total assets	2,286
Defined benefit	1,985
Thrift or savings	301
Employer contributions	9
Benefit payments	112
Passive investments	
Indexed bonds	19
Alternative investments	
International equities	267
International bonds	53
Venture capital	40
Real estate equity	98
Mortgages	57
Mortgage-backed securities	36
Hedging devices	
Stock index futures	Y
Fixed-income futures	Y
Defined benefit asset mix	
Stocks	67.5%
Bonds	12.8%
Cash equivalents	8.1%
Real estate equity	4.8%
Mortgages	2.9%
Mortgage-backed securities	2.8%
Other	1%

TOLEDO, Ohio — As of Sept. 30, Owens-Illinois Inc.'s total employee benefit assets increased 2.5% to $2.286 billion from $2.23 billion a year earlier. Defined benefit assets increased 1.8% during the same period, to $1.985 billion from $1.95 billion, and 401(k) assets grew 7.5%, to $301 million from $280 million.

In addition to the investments listed above, Owens-Illinois has $200,000 in indexed stocks and $500,000 in oil and gas.

Equity managers: Domestic — Barrow, Hanley; Dimensional; Emerging Growth; Franklin Portfolio; Harbor Capital; Jennison; Lazard Freres; Marsh & Cunningham; State Street Bank; and Wright Investors.

International — Franklin Portfolio; Grantham, Mayo, Van Otterloo; Marsh & Cunningham; and Morgan Grenfell.

Fixed-income managers: Domestic — Jennison; Lazard; PIMCO; State Street Bank; and Trustcorp.

International — Julius Baer and PIMCO.

Real estate managers: Aldrich, Eastman & Waltch; American Agricultural; Boston Co.; PRISA (Prudential); RPI Institutional; RREEF; Security Capital.

The master trustee is First Wachovia; the global custodian is Chase London; the investment consultant is Richards & Tierney.

Key personnel overseeing the investment management of the fund are Jerome A. Bohland, senior vice president and chief financial officer; and Ronald C. Boller, vice president and director of benefit finance.

P

Pacific Gas and Electric Co.

	($ millions)
Total assets*	3,299
Defined benefit	2,439
Defined contribution	860
Employer contributions	120
Benefit payments	125
*as of June 30, 1988	
Passive investments	
Indexed stocks	386
Alternative investments	
International equities	219
Private placements	63
Real estate equity	226
Hedging devices	
Stock index futures	Y
Defined benefit asset mix	
Stocks	70%
Bonds	19%
Cash equivalents	2%
Real estate equity	9%
Defined contribution asset mix	
Stocks	8%
Cash equivalents	1%
GICs	2%
Company stock	89%

SAN FRANCISCO — As of June 30, Pacific Gas and Electric Co.'s total employee benefit assets decreased 7.3% to $3.299 billion from $3.56 billion nine months earlier. Defined benefit assets decreased 7% during the same period, to $2.439 billion from $2.624 billion. Defined contribution assets decreased 8.1%, to $860 million from $936 million.

Equity managers: Domestic — Barrow, Hanley; Dodge & Cox; Geewax, Terker; Jundt/Capen; Loomis, Sayles; McCowan; Miller, Anderson & Sherrerd; Olympic; RCM; and Wells Fargo Investment.

International — Arnhold & S. Bleichroeder; Capital Guardian; Oechsle; Posthorn; and Wells Fargo.

Fixed-income managers: Sanford C. Bernstein; Fischer, Francis, Trees &

Watts; and Miller, Anderson.

Real estate managers: Corporate Property Investors; JMB; LaSalle; Metropolitan Life; Prudential Asset; RREEF; and TCW.

State Street Bank is master trustee and global custodian; Frank Russell is the investment consultant.

Key personnel overseeing the investment management of the fund are Sunny Oberoi, director-pension fund management, and Peter K. Corippo, senior financial analyst-pension fund management.

Pacific Telesis Group

	($ millions)
Total assets*	9,639
Defined benefit	8,747
Thrift or savings	892
Employer contributions	na
Benefit payments	na

*From Money Market Directory

SAN FRANCISCO — As of June 30, Pacific Telesis Group's total employee benefit assets decreased 2.3% to $9.639 billion from $9.867 billion a year earlier, according to the Money Market Directory, which provided the information for this profile. Defined benefit assets decreased 2.5% during the same period, to $8.747 billion from $8.975 billion. Thrift or savings plan assets decreased slightly to $891 million from $892 million.

Managers: CNA; Copley; Delphi; Discount Corp.; Dodge & Cox; Fidelity International; Fischer, Francis, Trees & Watts; Hotchkis & Wiley; IDS Advisory; IDS Financial; JMB; Jones Lang Wootton; Jundt Capen; LaSalle; Lord Abbett; John McStay; Mellon Capital; Metropolitan; Morgan Grenfell Capital; Morgan Grenfell Investment; Oechsle; PIMCO; Pilgrim Baxter Greig; Posthorn; Provident National; RCM Capital; Sit Investment; Solomon; TCW Realty; Thompson Siegel & Walmsley; United Capital; Weiss Peck & Greer; Wellington Management; Wells Fargo; and Western Asset.

The master trustees for the defined benefit plan are Mellon Bank and Northern Trust; the investment consultant is Frank Russell.

Key personnel overseeing the investment management of the fund are E. Douglas Taylor, executive director-investment management; Honor R. Fetherston, director-investment administration and real estate; and Richard P. McGahan, director-pension funds.

J.C. Penney Co. Inc.

	($ millions)
Total assets*	2,663
Defined benefit	1,079
Profit-sharing thrift or savings	1,584
Employer contributions	133
Benefit payments	94

*From Money Market Directory

DALLAS — As of June 30, J.C. Penney Co. Inc.'s total employee benefit assets decreased 17% to $2.662 billion from the $3.212 billion *Pensions & Investment Age* estimated as of Sept. 30, 1987. Defined benefit assets decreased 17% during the same period, to $1.078 billion from $1.301 billion, and defined contribution assets also dropped 17% to $1.584 billion from $1.911 billion.

All of the 1988 data were taken from the Money Market Directory.

Investment managers: Batterymarch; Fidelity International; GeoCapital; Grantham, Mayo, Van Otterloo; Lieber; Miller, Anderson; RCM; RREEF; and TCW.

The master trustee is State Street Bank; the investment consultant is Frank Russell.

Key personnel overseeing the investment management of the fund are Thomas A. Clerkin, assistant treasurer, and Robert E. Northam, chief financial officer.

Pennsylvania State Employes' Retirement System

	($ millions)
Total assets	7,967
Defined benefit	7,967
Employer contributions	377
Benefit payments	530
Indexed stocks	1,681
Indexed bonds	604
Alternative investments	
International bonds	76
Venture capital	81
Private placements	1
Real estate equity	558
Mortgages	529
Mortgage-backed securities	243
Defined benefit asset mix	
Stocks	43.2%
Bonds	29.7%
Cash equivalents	9.4%
Real estate equity	7%
Mortgages	6.6%
Mortgage-backed securities	3.1%
Other	1%

HARRISBURG, Pa. — As of Sept. 30, the Pennsylvania State Employes' Retirement System's total pension assets were virtually unchanged from a year earlier, increasing to $7.967 billion from $7.965. All of the assets are defined benefit.

Equity managers: Barrow Hanley; Centre Square; Geewax, Terker; Glickenhaus; McGlinn; Mellon; Miller, Anderson; Pilgrim Baxter; Provident Investment; Sun Bank; and Trinity.

Fixed-income managers: Domestic — Delaware; Fidelity; W.R. Huff; Mellon; Miller, Anderson; and Payden & Rygel.

International — Miller, Anderson.

Tactical asset allocator: Wells Fargo.

Real estate managers: Aetna; Copley; Corporate Property Investors; F.I.A.; John Hancock; Heitman; JMB; Metric; Prudential; PSI; and Sentinel.

Venture capital managers: APA/Fostin and PA Venture Capital.

Private placement manager: CIGNA.

The master custodian is the state treasurer; First Pennsylvania is the subcustodian; the investment consultant is Wilshire.

Key personnel overseeing the investment management of the fund are Kenneth G. Mertz, chief investment officer; Karen Nicely, assistant chief investment officer; and David Burnett and William Zisk, investment analysts.

Retiree health care: May 29

Pennsylvania Public School Employes' Retirement System

	($ millions)
Total assets	12,999
Defined benefit	12,999
Employer contributions	932
Benefit payments	783
In-house assets	
Fixed income	663
Short term	126
Passive investments	
Indexed stocks	1,224
Indexed bonds	1,883
Dedicated/immunized	164
Alternative investments	
Venture capital	129
Real estate equity	675
Mortgages	223
Mortgage-backed securities	874
Hedging devices	
Stock options	Y
Defined benefit asset mix	
Stocks	33%
Bonds	35%
Cash equivalents	16%
Real estate equity	6%
Mortgages	2%
Mortgage-backed securities	7%
Other	1%

HARRISBURG, Pa. — As of Sept. 30, the Pennsylvania Public School Employes' Retirement System's total employee benefit assets increased 8.1% to $12.999 billion from $12.021 billion a year earlier. All the assets are defined benefit.

Equity managers: Bankers Trust; Cashman, Farrell; Delaware; Dreman; Mackenzie Financial; Mellon Bank; Mellon Capital; Miller, Anderson; Oppenheimer; and Provident Capital.

Fixed-income managers: Criterion; Glenmede; Loomis, Sayles; Mellon Bank; Miller, Anderson; PIMCO; Pittsburgh National Bank; and Putnam Advisory.

Real estate managers: Fidelity Bank and Jones Lang Wootton.

Venture capital managers: CEO Venture Fund; CIGNA; Commonwealth Ventures Partners; Fostin & Patricof; Genesis Seed Fund; NEPA; and Trivest.

Short-term managers: State treasury department.

Options managers: Oppenheimer

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Other managers: Addison; Advisor Investment Managers; Ariston; Birmingham Capital; Brandywine; Brown Capital; Columbus Circle; Comstock Partners; Crabbe-Huson; Crawford Investment; Cutler; Eagle; Evans & Moxon; Glenmede; Greenleaf; Gulf Investment; Income Research & Management; Newbold's; Pilgrim Baxter Greig; Princeton; Security Pacific; TCW; and Edward A. Viner/Hudson Capital.

The master custodian is First Pennsylvania Bank; the global custodian is State Street Bank, the investment consultant is Evaluation Associates.

Key personnel overseeing the investment management of the fund are James Perry, executive director; Clay Mansfield, chief investment officer; Michael T. Grubic, assistant chief investment officer, and Mary Jo Beshore, investment accounting division chief.

City of Philadelphia Municipal Pension Fund

	($ millions)
Total assets	1,578
Defined benefit	1,578
Employer contributions	140
Benefit payments	206
In-house assets	
Short term	106
Passive investments	
Indexed stocks	93
Indexed bonds	86
Alternative investments	
Venture capital	4
Real estate equity	86
Mortgages	7
Mortgage-backed securities	3
Defined benefit asset mix	
Stocks	40.3%
Bonds	36.6%
Cash equivalents	14.9%
Real estate equity	5.4%
Mortgages	0.4%
Mortgage-backed securities	0.2%
Other	2.2%

PHILADELPHIA — As of Sept. 30, the City of Philadelphia Municipal Pension Fund's total employee benefit assets decreased 0.6% to $1.578 billion from $1.587 billion a year earlier. All the assets are defined benefit.

Equity managers: Domestic — Ariel; Atalanta/Sosnoff; Bankers Trust; Columbus Circle; Delaware; Miller, Anderson & Sherrerd; NCM Capital; Nelson, Benson & Zellmer; Parametric; Peregrine; and Trinity.

International — Dimensional Fund Advisors; Parametric; SBC; and World-Invest.

Fixed-income managers: Criterion; 1838 Investment Advisors; Lincoln Capital; Miller, Anderson; and TCW.

Real estate managers: Copley; Dover; Grubb & Ellis; JMB; MIG Realty; Public Storage; Sentinel; and Stonemark.

Venture capital managers: CIGNA; Genesis Seed Fund; Hall; and Mendian.

First Pennsylvania is master custodian and global custodian, the investment consultant is Frank Russell Trust.

Key personnel overseeing the investment management of the fund are Peter G. Crescitelli, executive director, and Margaret Samkavitz, investment analyst.

Philip Morris Cos. Inc.

	($ millions)
Total assets	4,500
Defined benefit	3,300
Defined contribution	1,200
Employer contributions	170
Benefit payments	120
Passive investments	
Indexed stocks	100
GICs	120
Alternative investments	
International equities	220
Venture capital	30
Real estate equity	90
Hedging devices	
Stock options	Y
Bond options	Y
Stock index futures	Y
Fixed-income futures	Y
Defined benefit asset mix	
Stocks	63%
Bonds	22%
Cash equivalents	8%
Real estate equity	3%
GICs	4%
Defined contribution asset mix	
Stocks	39%
GICs	54%
Company stock	5%
Other	2%

NEW YORK — As of Sept. 30, total employees benefit assets of Philip Morris Cos. Inc. more than doubled from a year earlier because of its absorption of General Foods Inc. When the previous year's figures are combined, however, the comparison shows a decrease of 1.5% to $4.5 billion as of Sept. 30, from $4.568 billion a year earlier. Defined benefit assets decreased 5.1% to $3.3 billion from $3.477 billion when combining the previous year's figures. Defined contribution assets increased 10% to $1.2 billion from $1.091 billion.

The employee benefit assets of Philip Morris and General Foods are being managed together. Although the plans of both companies were combined into one Philip Morris trust Jan. 1, they will remain separate for accounting purposes.

Equity managers: Domestic — Alliance; Batterymarch; BEA; Sanford Bernstein; First Wisconsin; Glickenhaus; Jennison; Miller, Anderson; RCM; State Street Bank; Thorndike, Doran; and Trinity.

International — J.P. Morgan; Morgan Grenfell; N.M. Rothschild; and State Street Bank.

Fixed-income managers: J.P. Morgan; PIMCO; Scudder, Stevens & Clark; State Street Bank.

Real estate managers: Heitman; JMB; J.P. Morgan; New Court; Schroder; and TCW.

Other managers: Blackstone; Consumer Venture Partners; John Hancock; New Court Partners; and Sprout.

The master trustees are State Street and Northern Trust for the pension plans and Bankers Trust for the defined contribution plan. State Street Bank and Northern Trust also are global custodians.

Key personnel overseeing the investment management of the fund are B. Jack Miller, staff vice president; Mary Lee Calimano, manager; and John Pecora, financial analyst.

Phillips Petroleum Co.

	($ millions)
Total assets	1,700
Defined benefit	300
Thrift or savings	1,400
Employer contributions	na
Benefit payments	50
Passive investments	
Indexed stocks	15
Dedicated/immunized	225
Alternative investments	
LBOs	5
Real estate equity	42
Hedging devices	
Stock index futures	Y
Fixed-income futures	Y
Defined benefit asset mix	
Stocks	6%
Bonds	74%
Cash equivalents	6%
Real estate equity	14%
Defined contribution asset mix	
Stocks	60%
Bonds	4%
Cash equivalents	1%
GICs	35%

BARTLESVILLE, Okla. — As of Sept. 30, Phillips Petroleum Co.'s total employee benefit assets increased 24.4% to $1.7 billion from $1.366 billion Dec. 31, 1987. Defined benefit assets decreased 14.3% during the same period, to $300 million from $350 million, and defined contribution assets increased 37.8%, to $1.4 billion from $1.366 billion. The 1987 numbers were provided by Money Market Directory.

Equity manager: Wells Fargo.

Fixed-income managers: Equitable; Morgan Guaranty and Prudential.

Real estate managers: JMB; Victor Palmieri; and RREEF.

LBO manager: Forstmann Little.

The master trustee is Citibank.

The key person overseeing the investment management of the fund is Rex. W. Holsapple, director-foreign exchange and investment.

Plumbers, National Headquarters

	($ millions)
Total assets*	1,658
Defined benefit	1,658
Employer contributions	66
Benefit payments	na

**P&I Age estimate*

WASHINGTON — The Plumbers, National Headquarters' total employee benefit assets increased 3.7%, rising to an estimated $1.658 billion from $1.599 billion reported in last year's profile issue. All the data were estimated based on figures from Money Market Directory.

Manager: ASB Capital Management.

The master custodian is Capital Management.

The key person overseeing the investment management of the fund is Marsha Pugh, administrator.

PPG Industries Inc.

	($ millions)
Total assets*	1,677
Defined benefit	919
Thrift or savings	755
Other	3
Employer contributions	73
Benefit payments	na

*From Money Market Directory

PITTSBURGH — As of June 30, PPG Industries Inc.'s total employee benefit assets decreased 6.8% to $1.677 billion from the $1.8 billion *P&I Age* estimated as of Sept. 30, 1987. All updated data for this profile came from the 1989 Money Market Directory.

Investment managers: Chancellor; Federated Securities; Fidelity Management Trust; Loomis, Sayles; Mellon Capital; J.P. Morgan; Neuberger and Berman; Prudential Asset; Reich & Tang; and Schroder Capital.

The master trustee is Mellon Bank; the investment consultant is Frank Russell Co.

Key personnel overseeing the investment management of the fund are L.M. Call, treasurer, and Charles H. Elmer, manager-pension investment administration.

The Board of Pensions of the Presbyterian Church (USA)

	($ millions)
Total assets	2,000
Other	2,000
Employer contributions	66
Benefit payments	65

PHILADELPHIA — As of Sept. 30, total employee benefit assets The Board of Pensions of the Presbyterian Church (USA) decreased 5.7% to $2 billion from $2.122 billion a year earlier. All assets are in a combined defined benefit/defined contribution plan.

The master trustee is Mellon Bank; the global custodian is Mellon Pictet through Mellon Bank; the investment consultants are Callan Associates and Debatin Associates.

Key personnel overseeing the investment management of the fund are Wm. Irwin Arbuckle II, vice president-investments and treasurer; and Judith D. Freyer, assistant treasurer.

Procter & Gamble Co.

	($ millions)
Total assets*	3,102
Defined benefit	149
Profit-sharing	2,953
Employer contributions	187
Benefit payments	na

*From Money Market Directory

CINCINNATI — As of June 30, Procter & Gamble Co.'s total employee benefit assets fell 13.4% to $3.102 billion from $3.58 billion a year earlier. Defined benefit assets decreased 11.3% during the same period, to $149 million from $168 million. Defined contribution assets decreased 13.5% to $2.953 billion from $3.412 billion.

All 1988 data were taken from Money Market Directory.

Investment managers: Aetna Life; Metropolitan Life; J.P Morgan; T. Rowe Price; Prudential Asset; and Wells Fargo Investment.

Key personnel overseeing the investment management of the fund are George M. Gibson, vice president and treasurer, and J.R. Smith, manager-pension plan coordination.

Top 200 funds with defined benefit assets invested in:

Oil & gas

Fund	Assets $ millions
AT&T	245
Minnesota State Board	78
GTE	56
Southwestern Bell	45
USX	40
Washington State Board	37
Honeywell	36
Exxon	33
Ford Motor	26
Textron	25
Caterpillar	14
ITT	10
S. New England Telephone	8
RJR Nabisco	7
Atlantic Richfield	4
Aluminum Co. of America	2
Maine State	2
Monsanto	2
Tennessee Valley Authority	2
Owens-Illinois	1
Total	672

Prudential Insurance Co. of America

	($ millions)
Total assets	5,276
Defined benefit	4,084
Thrift or savings	1,139
401(k)	53
Employer contributions	30
Benefit payments	141
In-house assets	
Equities	1,981
Fixed income	1,200
Short term	409
Other	493
Passive investments	
Indexed stocks	573
Indexed bonds	154
Dedicated/immunized	211
Alternative investments	
International equities	365
International bonds	280
Venture capital	16
Private placements	111
Real estate equity	477
Defined benefit asset mix	
Stocks	48.5%
Bonds	29.4%
Cash equivalents	10.4%
Real estate equity	11.7%
Defined contribution asset mix	
Stocks	5.8%
Bonds	94.2%

NEWARK, N.J. — As of Sept. 30, Prudential Insurance Co. of America's total employee benefit assets were $5.3 billion. A comparison with 1987 assets is not possible because thrift and 401(k) data for Sept. 30, 1987, were not available.

Defined benefit assets declined 4.9% during the year ended Sept. 30 to $4.084 billion from $4.294 billion.

All of the company's employee benefit assets are managed internally. Prudential acts as its own master trustee; Chase Manhattan Bank is global custodian.

Key personnel overseeing the investment management of the fund are James H. Gately, executive vice president-Prudential Affiliated Investors, and James H. Scott, Managing Director, PDI Strategies.

R

Raytheon Co.

	($ millions)
Total assets	2,430
Defined benefit	1,900
Defined contribution	30
401(k)	500
Employer contributions	90
Benefit payments	50
Passive investments	
Indexed stocks	470
Dedicated/immunized	330
Alternative investments	
Real estate equity	15
Defined benefit asset mix	
Stocks	73%
Bonds	18%
Cash equivalents	8%
Real estate equity	1%

LEXINGTON, Mass. — As of Sept. 30, Raytheon Co.'s total employee benefit assets decreased 1% to $2.43 billion from $2.455 billion a year earlier. Defined benefit assets decreased 4.2% during the same period, to $1.9 billion from $1.984 billion, while 401(k) assets increased 13.4% to $500 million from $441 million.

Equity managers: Bankers Trust; Batterymarch; Boston Co.; Brignoli, Curley & Roberts; Dewey Square; Fidelity; INVESCO; Loomis, Sayles; Matrix; Paribas; Rosenberg; State Street Research; and Sun Bank.

Fixed-income managers: Loomis, Sayles and Richmond Capital.

The master trustee is Boston Safe Deposit.

Key personnel overseeing the investment management of the fund are Herbert Deitcher, vice president and treasurer; W. Bruce Livingston, manager-employee benefits financing; and Steven S. DeMeo, investment analyst.

Employees Retirement System of Rhode Island

	($ millions)
Total assets	1,911
Defined benefit	1,911
Employer contributions	80
Benefit payments	100
In-house assets	
Short term	450
Hedging devices	
Stock options	Y
Defined benefit asset mix	
Stocks	39%
Bonds	37%
Cash equivalents	24%

PROVIDENCE, R.I. — As of Sept. 30, total employee benefit assets of the Employees Retirement System of Rhode Island increased 5.6% to $1.911 billion from $1.809 billion a year earlier. All assets are defined benefit.

Equity manager: Fleet National Bank.

Fixed-income manager: Fleet National Bank.

The master custodian is State Street Bank; the investment consultant is Wilshire.

Jerome F. Williams, deputy general treasurer for finance, oversees the investment management of the fund.

RJR Nabisco Inc.

	($ millions)
Total assets	3,387
Defined benefit	2,491
401(k)	896
Employer contributions	155
Benefit payments	120
In-house assets	
Equities	550
Passive investments	
Indexed stocks	383
Venture capital	27
Oil and gas	7
Real estate equity	127
Hedging devices	
Stock index futures	Y
Defined benefit asset mix	
Stocks	52.1%
Bonds	24.9%
Cash equivalents	16.2%
Real estate equity	5.2%
Other	1.6%
Defined contribution asset mix	
Stocks	8.3%
Cash equivalents	3.2%
GICs	11.3%
Company stock	75.6%
Other	1.6%

ATLANTA — As of Sept. 30, RJR Nabisco Inc.'s total employee benefit assets decreased 4.3% to $3.387 billion from $3.54 billion a year earlier. Defined benefit assets decreased 4.2% during the same period, to $2.491 billion from $2.6 billion, while 401(k) assets decreased 4.7% to $896 million from $940 million.

Equity managers: Alliance; Capital Guardian; Concord Capital; Delaware; Jennison; Reich & Tang; Warburg, Pincus; and Wellington Management.

Fixed-income managers: BEA Associates; Lincoln Capital; PIMCO; and TCW.

Real estate managers: Copley; Equitable; First Wachovia; LaSalle; Mellon; and J.W. O'Connor.

Other managers: Concord Partners; Dumuth Folger & Terhune; Energy Recovery Management; Fairfield Venture; Forstmann Little; MBW Venture; Plant Resources; and TA Associates.

The master trustee is First Wachovia; the investment consultant is Frank Russell.

They key person overseeing the investment management of the fund is Robert E. Shultz, vice president, pension asset management.

Rockwell International Corp.

	($ millions)
Total assets*	8,583
Defined benefit	6,222
Thrift or savings	2,361
Employer contributions	na
Benefit payments	na

**P&I Age* estimate

PITTSBURGH — As of June 30, Rockwell International Corp. had total employee benefit assets of $8.583 billion, according to *Pensions & Investment Age* estimates. Defined benefit assets totaled $6.222 billion, according to the company's annual report; defined contribution assets were $2.361 billion, according to *P&I Age* estimates.

According to the Money Market Directory, Rockwell's money managers include:

Beutel, Goodman; Boston Co. Real Estate; Cashman, Farrell; CIGNA; First Interstate Bank of California; First Interstate Bank of California; First Pacific Advisors; Hotchkis and Wiley; Manufacturers Bank; Metropolitan Life; J.P. Morgan; Morgan Stanley Asset; National Bank of Detroit; PRIMECAP; Provident Investment Counsel; Fayez Sarofim; Scudder, Stevens & Clark; Security Pacific; Siphron & Meyers; Stralem; Tower Capital; Vanguard; Waite & Correnti; and Western Asset.

The master trustees are Mellon Bank and National Bank of Detroit.

Key personnel overseeing the investment management of the fund are E. William Altstaetter, vice president-pensions, insurance & risk management; Lee H. Cramer, vice president and treasurer; and Susan Leathers, director-pension assets management.

S

City & County of San Francisco Employees Retirement System

	($ millions)
Total assets*	3,322
Defined benefit	3,229
457	93
Employer contributions	220
Benefit payments	180
*as of June 30, 1988	
In-house assets:	
Equities	161
Fixed income	1,104
Passive investments:	
Indexed stocks	548
Alternative investments:	
International equities	532
International bonds	303
Venture capital	4
Real estate equity	125
Mortgages	15
Mortgage-backed securities	200
Defined benefit asset mix:	
Stocks	36%
Bonds	44%
Cash equivalents	10%
Real estate equity	4%
Mortgage-backed securities	6%
Defined contribution asset mix:	
Stocks	24%
Bonds	11%
Cash equivalents	2%
GICs	63%

SAN FRANCISCO — As of June 30, the City & County of San Francisco Employees Retirement System's total employee benefit assets increased 4.2% to $3.322 billion from $3.189 billion Sept. 30, 1987. Defined benefit assets increased 1.3% during the same period, to $3.229 billion from $3.189 billion.

Equity managers: Domestic — Axe Core; Furman Selz; Hanson Investment; Loomis, Sayles; McCullough, Andrews & Cappiello; Nicholas-Applegate; and George Springman.

International — Capital Guardian; Morgan Grenfell; and Oechsle.

Fixed-income managers: Domestic — Axe-Houghton; Caywood-Christian; MacKay-Shields; Miller, Anderson; Scudder, Stevens; and TCW Asset.

International — First Chicago and Warburg Investment.

Real estate managers: Coldwell Banker; JMB; and Schroder.

Venture capital manager: Crossroads.

Bankers Trust is the master custodian and global custodian; Callan is the investment consultant.

Key personnel overseeing the investment management of the fund are DeWitt F. Bowman, chief investment officer; and Carolyn Hamilton, assistant chief of investments. Mr. Bowman has since resigned and taken a new position with the California Public Employees' Retirement System.

Sears, Roebuck & Co.

	($ millions)
Total assets	7,176
Defined benefit	2,667
Profit-sharing 401(k)	4,509
Employer contributions	na
Benefit payments	na
In-house assets:	
Equities	1,213
Fixed income	950
Short term	132
Other	146
Passive investments:	
Indexed stocks	776
Alternative investments:	
International equities	192
Venture capital	91
Real estate equity	40
Mortgages	49
Hedging devices:	
Stock options	Y
Stock index futures	Y
Fixed-income futures	Y
Defined benefit asset mix:	
Stocks	46%
Bonds	36%
Cash equivalents	5%
Real estate equity	1%
Mortgages	2%
Other	10%
Defined contribution asset mix:	
Stocks	18%
Bonds	15%
Cash equivalents	21%
Company stock	46%

CHICAGO — As of Sept. 30, Sears, Roebuck & Co.'s total employee benefit assets decreased 12.8% to $7.176 billion from $8.225 billion a year earlier. Defined benefit assets decreased 9.8% during the same period, to $2.667 billion from $2.958 billion. Defined contribution assets decreased 14.4%, to $4.509 billion from $5.267 billion.

Equity managers: Domestic — Sears Investment Management.

International — Capital Guardian and Sears Investment Management.

Fixed-income manager: Sears Investment Management.

Real estate managers: Aldrich, Eastman & Waltch and Coldwell Banker.

The master trustee for the defined benefit plan is Continental Bank; the master trustee for the defined contribution plan is Northern Trust; each also serves as global custodian for its respective plan.

Key personnel overseeing the investment management of the fund, all with Sears Investment Management, are David V. Dootson, president; Michael Norton, vice president-fixed income division; James Smith, vice president-venture capital and emerging growth; and David Williams, vice president and research director.

Managers Directory: May 22.

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* * *

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Sheet Metal Workers International

	($ millions)
Total assets*	1,408

*P&I Age estimate

WASHINGTON — As of Sept. 30, *Pensions & Investment Age* estimates otal employee benefits of the Sheet Metal Workers International were $1.408 billion.

The following managers were taken rom the Money Market Directory.

Managers: Independence Investment; Investors Research; Loomis, Sayles; Potomac Asset; Prudential Asset; Segal Advisors; and Unity Management.

The investment consultant is Segal Advisors.

Key personnel overseeing the investment management of the fund are Lonnie A. Bassett, secretary and treasurer, and Walter Carlough, general president.

Shell Oil Co.

	($ millions)
Total assets	6,686
Defined benefit	3,108
Defined contribution	3,093
401(k)	297
Other	138
Employer contributions	170
Benefit payments	400
In-house assets	
Equities	237
Fixed income	705
Short term	77
Passive investments	
Indexed bonds	154
GICs	77
Alternative investments	
International equities	50
Real estate equity	400
Mortgages	8
Mortgage-backed securities	175
Hedging devices	
Stock index futures	Y
Fixed-income futures	Y
Defined benefit asset mix	
Stocks	51.5%
Bonds	23.5%
Cash equivalents	3.5%
Real estate equity	13%
Mortgage-backed securities	6%
GICs	2.5%
Defined contribution asset mix	
Stocks	7.7%
GICs	90.8%
Company stock	1.5%

HOUSTON — As of Sept. 30, Shell Oil Co.'s total employee benefit assets decreased 3.4% to $6.686 billion from $6.918 billion a year earlier. Defined benefit assets decreased 6% during the same period, to $3.108 billion from $3.307 billion. Defined contribution assets decreased 8.5%, to $3.093 billion from $3.38 billion.

Equity managers: Domestic — Criterion; Dodge & Cox; Equitable Capital; Independence; Kemper; and Fayez Sarofim.

International — AIG.

Fixed-income managers: Domestic — BEA; Sanford Bernstein; Chase; and Duff & Phelps.

Real estate managers: Aetna; Cabot, Cabot & Forbes; Equitable; First Chicago; Hancock; Heitman; JMB; Prudential; and RREEF.

Other managers: Allstate; Confederation Life; Metropolitan Life; Mutual of New York; New York Life; Pacific Mutual; Provident National; Travelers.

The master trustee for the defined benefit plan is Bankers Trust; trustees for the defined contribution plan are NCNB and Texas Commerce; the global custodian is Boston Safe. Frank Russell is the investment consultant.

Key personnel overseeing the investment management of the fund are L.S. Chaikind, administrator; J.B. Kloehr, secretary; and K.A. Guske, performance analyst.

South Carolina Retirement System

	($ millions)
Total assets	6,009
Defined benefit	6,009
Employer contributions	238
Benefit payments	277
In-house assets	
Fixed income	6,009
Defined benefit asset mix	
Bonds	100%

COLUMBIA, S.C. — As of Sept. 30, the South Carolina Retirement System's total employee benefit assets increased 16.2% to $6.009 billion from $5.171 billion a year earlier. All assets are in defined benefit plans, and all are managed internally.

Jamison, Eaton & Wood provides investment consulting services.

Key personnel overseeing the investment management of the fund are Grady L. Patterson Jr., state treasurer, and Shakun Tahiliani, investment director.

Annuity Board of the Southern Baptist Convention

	($ millions)
Total assets	2,223
Defined benefit	727
Defined contribution	1,493
Thrift or savings	3
Employer contributions	na
Benefit payments	71
In-house assets	
Other	129
Passive investments	
GICs	88
Alternative investments	
Real estate equity	23
Mortgages	18
Hedging devices	
Stock options	Y
Defined benefit asset mix	
Stocks	40%
Bonds	33%
Cash equivalents	9%
Real estate equity	3%
Mortgages	3%
GICs	12%
Defined contribution asset mix	
Stocks	15%
Bonds	26%
Cash equivalents	12%
GICs	47%

DALLAS — As of Sept. 30, the Annuity Board of the Southern Baptist Convention's total employee benefit assets increased 7.9% to $2.223 billion from $2.061 billion a year earlier. Defined benefit assets decreased 3.3% during the same period, to $727 million from $752 million. Defined contribution assets increased 14%, to $1.493 billion from $1.309 billion.

Equity managers: Alliance; Capital Guardian; Lazard Freres; Loomis, Sayles; Scudder; and Thorndike, Doran.

Fixed-income managers: Sanford C. Bernstein; MacKay-Shields; J.P. Morgan; and STW.

The master trustee is NCNB-Texas; the investment consultant is SEI.

Key personnel overseeing the investment management of the fund are W. Gordon Hobgood Jr., executive vice president and chief operating officer; Dave L. Borders, vice president; and A.C. Halsell, investment manager.

Southern California Edison

	($ millions)
Total assets	2,104
Defined benefit	1,298
401(k)	566
ESOP	240
Employer contributions	66
Benefit payments	117
Passive investments	
Indexed stocks	75
GICs	90
Alternative investments	
International equities	73
International bonds	88
Venture capital	27
Real estate equity	52
Mortgage-backed securities	68
Hedging devices	
Stock options	Y
Defined benefit asset mix	
Stocks	49%
Bonds	21%
Cash equivalents	12%
Real estate equity	4%
Mortgage-backed securities	5%
GICs	7%
Venture capital	2%
Defined contribution asset mix	
Stocks	5%
Bonds	1%
Cash	3%
GICs	8%
Company stock	77%
Other	6%

ROSEMEAD, Calif. — As of Sept. 30, Southern California Edison's total employee benefit assets increased 2.1% to $2.104 billion from $2.06 billion a year earlier. Defined benefit assets decreased slightly during the same period, to $1.298 billion from $1.299 billion, while 401(k) plan assets increased 5.2%, to $566 million from $538 million, and ESOP assets rose 7.6% to $240 million from $223 million.

Equity managers: Domestic — Batterymarch; Dimensional Fund; Dodge & Cox; Hotchkis & Wiley; Jundt/Capen; Pacific Financial; PIMCO; RCM; and Rosenberg Institutional.

International — Batterymarch; TCW; and Warburg.

Fixed-income managers: Domestic — PIMCO and RCM.

Real estate managers: Equitable; JMB; LaSalle; Pacific Mutual; and TCW.

Venture capital managers: Euclid; IVP; Summit Ventures; TCW; and Venturetech.

Asset allocation: Mellon Capital.

Cash manager: Payden & Rygel.

The master trustee for the defined benefit plan is Security Pacific, and for the defined contribution plan, First Interstate; the global custodian is Mitsubishi; the investment consultant is Frank Russell.

Key personnel overseeing the investment management of the fund are Jim Scilacci, manager-investor relations and pension investment, and Rich Yamamoto, supervisor-pension investment.

Southern Co. Services Inc.

	($ millions)
Total assets	2,600
Defined benefit	2,000
401(k)	600
Employer contributions	50
Benefit payments	50
Hedging devices	
Stock options	Y
Bond options	Y
Stock index futures	Y
Fixed-income futures	Y

ATLANTA — As of Sept. 30, Southern Co. Services Inc.'s total employee benefit assets increased 2% to $2.6 billion from $2.55 billion a year earlier. Defined benefit assets remained at $2 billion; 401(k) assets increased 9% to $600 million from $550 million.

Equity managers: AmSouth Bank; INVESCO; Jundt/Capen; Lieber; Miller, Anderson; Northern Capital; Spears, Benzak; and Strong/Corneliuson.

Fixed-income managers: Discount Corp.; First Wachovia; and Trusco.

Real estate manager: First Wachovia.

The master trustee is Bankers Trust.

The key person overseeing the investment management of the fund is David Prince, assistant treasurer.

Southern New England Telephone Co.

	($ millions)
Total assets	1,625
Defined benefit	1,400
Defined contribution	200
ESOP	25
Employer contributions	17
Benefit payments	55
Passive investments	
Indexed stocks	660
Alternative investments	
International equities	202
Oil and gas	8
Private placements	4
Real estate equity	79
Mortgage-backed securities	5
Hedging devices	
Stock options	Y
Stock index futures	Y
Defined benefit asset mix	
Stocks	61%
Bonds	29%
Cash equivalents	4%
Real estate equity	6%
Defined contribution asset mix	
Stocks	6%
GICs	71%
Company stock	23%

NEW HAVEN, Conn. — As of Sept. 30, Southern New England Telephone Co.'s total employee benefit assets decreased 4.4% to $1.625 billion from $1.7 billion a year earlier. Defined benefit assets decreased 6.6% during the same period, to $1.4 billion from $1.5 billion. Defined contribution assets remained constant at $200 million.

Equity managers: Domestic — American National Bank; Analytic; Barrow, Hanley, Mewhinney & Strauss; Connecticut National Bank; Moran; Wellington; and Wells Fargo.

International — Mercator; Posthorn; and State Street.

Fixed-income managers: Dreyfus; Equitable; Putnam; and STW.

Real estate managers: CIGNA; JMB; LaSalle; Schroder Real Estate; and Sentinel.

Other manager: Resource Investors Management.

Top 200 funds with defined benefit assets invested in:

Venture capital

Fund	Assets $ millions
AT&T	443
General Electric	300
University of California	271
Washington State Board	240
State of Michigan	228
Minnesota State Board	146
GTE	139
Pennsylvania Public School	129
Ameritech	125
Allied-Signal	100
Oregon Public Employes	100
Sears, Roebuck	91
Los Angeles County	88
Pennsylvania State Employes	81
United Technologies	75
Exxon	70
Honeywell	63
New York State & Local	55
Chicago Municipal	54
E.I. du Pont de Nemours	53
Ford Motor	50
Illinois Teachers	50
Aluminum Co. of America	47
Amoco	47
New York State Teachers	47
State of Delaware	46
Southwestern Bell	44
Atlantic Richfield	42
Delta Air Lines	40
Owens-Illinois	40
Wisconsin Investment Board	40
Unisys	38
Illinois Municipal	36
World Bank	36
Deere	30
Philip Morris	30
American Electric Power	29
RJR Nabisco	27
Southern California Edison	27
NYNEX	26
BP America	25
Ohio State Teachers	25
Ohio Public Employees	24
Ohio School Employees	24
Connecticut Trust Funds	21
Grumman	20
Utah State	20
Illinois State Board	19
Army & Air Force Exchange	18
Prudential Insurance	16
Colorado Public Employees	15
Ohio Police & Firemen	14
Minnesota Mining & Mfg.	13
Kraft	13
Eli Lilly	10
Nat'l Electrical Contractors/IBEW	10
Armco	9
Digital Equipment	7
Chevron	6
Nevada Public Employees	6
Inland Steel Industries	5
Philadelphia Municipal	4
San Francisco Employees	4
NCR	2
Total	3,953

The master trustees are Boston Safe Deposit for the defined benefit plan and Bankers Trust for the defined contribution plan.

Key personnel overseeing the investment management of the fund are John Miller, assistant secretary and treasurer, and Katherine Griswold, staff manager.

Southwestern Bell Corp.

	($ millions)
Total assets	6,961
Defined benefit	6,086
Defined contribution	875
Employer contributions	44
Benefit payments	250
Passive investments	
Indexed stocks	1,661
Dedicated/immunized	2,066
Alternative investments	
International equities	244
Venture capital	44
Oil and gas	45
Real estate equity	660
Defined benefit asset mix	
Stocks	53%
Bonds	34%
Cash equivalents	1%
Real estate equity	11%
Other	1%
Defined contribution asset mix	
Stocks	23%
Bonds	4%
GICs	39%
Company stock	34%

ST. LOUIS — As of Sept. 30, Southwestern Bell Corp.'s total employee benefit assets decreased 3.7% to $6.961 billion from $7.231 billion a year earlier. Defined benefit assets decreased 5.8% during the same period, to $6.086 billion from $6.461 billion. Defined contribution assets increased 13.6% to $875 million from $770 million.

Equity managers: Domestic — Franklin Portfolio; GeoCapital; Jennison; Nicholas-Applegate; NCNB Texas; Pilgrim Baxter; and Wells Fargo.

International — Fidelity; IDS; and Nomura.

Fixed-income managers: Jennison and Mississippi Valley.

Real estate managers: Boston Counsel; Heitman; and McMahan Associates.

Venture capital managers: First Chicago and Crossroads.

The master trustee is NCNB Texas National Bank; the global custodian is Chase; the investment consultant is Buck.

Key personnel overseeing the investment management of the fund are M.A. Devine, director-pension investments, and C. Weaver, director-pension fund.

State Farm Insurance Cos.

	($ millions)
Total assets*	2,601
Defined benefit	2,085
Defined contribution*	516
Employer contributions	53
Benefit payments	na

*P&I Age estimate

BLOOMINGTON, ILL. — As of Sept. 30, State Farm Insurance Cos.' total employee benefit assets decreased less than 1% to $2.601 billion from $2.623 billion a year earlier. Defined benefit assets decreased 5.2% during the same period, to $2.085 billion from $2.2 billion. *Pensions & Investment Age* estimates the defined contribution assets increased 8.2% since Dec. 31, 1987, to $516 million from $477 million.

According to the Money Market Directory, 98% of the assets are managed internally.

Equity manager: Dimensional Fund.

Key personnel overseeing the investment management of the fund are Rex J. Bates, financial vice president, and Charles Jordan, superintendent-retirement.

Sun Co. Inc.

	($ millions)
Total assets	1,987
Defined benefit	1,545
401(k)	442
Employer contributions	16
Benefit payments	125
Passive investments	
Indexed stocks	171
Indexed bonds	125
GICs	53
Alternative investments	
International equities	141
International bonds	16
Real estate equity	181
Mortgages	21
Hedging devices	
Stock options	Y
Stock index futures	Y
Defined benefit asset mix	
Stocks	47%
Bonds	23%
Cash equivalents	15%
Real estate equity	11%
Mortgages	1%
GICs	3%

RADNOR, Pa. — As of Sept. 30, Sun Co. Inc.'s total employee benefit assets decreased 1.1% to $1.987 billion from $2.01 billion a year earlier. Defined benefit assets decreased 3.4% during the same period, to $1.545 billion from $1.6 billion. 401(k) assets increased 10.5% to $442 million from $400 million.

Equity managers: Domestic — Analytic Investment; Bankers Trust; Sanford Bernstein; Hellman Jordan; Jennison; and Miller, Anderson & Sherrerd.

International — Capital Guardian; Fidelity International; J.P. Morgan; State Street Bank; and Warburg.

Fixed-income managers: Sanford Bernstein; Miller, Anderson & Sherrerd; and J.P. Morgan.

Real estate managers: Equitable

and Prudential.

Tactical asset allocation manager: Wells Fargo Investment.

Bankers Trust is the master trustee and global custodian; Frank Russell is the investment consultant.

Key personnel overseeing the investment management of the fund are Richard L. Veith, director-benefit plans investments, and Susan Graef, portfolio specialist.

T

Teachers Insurance and Annuity Association — College Retirement Equities Fund

	($ millions)
Total assets	67,141
Defined contribution	67,141
Employer contributions	3,200
Benefit payments	1,700
Defined contribution asset mix	
Stocks	44.1%
Bonds	25.5%
Cash equivalents	1%
Real estate equity	3.4%
Mortgages	23.8%
Mortgage-backed securities	2.2%

NEW YORK — As of Sept. 30, the Teachers Insurance Annuity Association — College Retirement Equities Fund's employee benefit assets increased 1.5% to $67.141 billion from $66.171 billion a year earlier. All assets are in defined contribution plans.

TIAA-CREF, the nation's largest pension plan, is managed internally: $21.6 billion in indexed stocks; $3 billion in international equities; $100 million in international fixed income; $600 million in leveraged buy-outs; $9 billion in private placements; $2.3 billion in real estate equity; $16 billion in mortgages; and $1.5 billion in mortgage-backed securities.

The master custodians for TIAA are Morgan Guaranty and Citibank. The domestic and global custodians for CREF are Bankers Trust and Chase Manhattan.

Key personnel overseeing the investment management for TIAA are J. Daniel Lee Jr., executive vice president, TIAA investments; David B. Bullett, senior vice president, TIAA securities; and John A. Somers, senior vice president, TIAA mortgages and real estate.

Overseeing CREF investments are James S. Martin, executive vice president, CREF investments; C. Oscar Morong Jr., senior vice president and director, CREF domestic active investments; and Virgil H. Cumming, vice president and director, CREF international investments.

Teamsters, Central States, Southeast and Southwest Areas Pension Fund

	($ millions)
Total assets	8,469
Defined benefit	8,469
Employer contributions	745
Benefit payments	898
In-house assets	
Short term	72
Passive investments	
Indexed stocks	2,673
Indexed bonds	2,586
Dedicated/immunized	75
Alternative investments	
Real estate equity	14
Defined benefit asset mix	
Stocks	42.8%
Bonds	55.8%
Cash equivalents	1.1%
Other	0.2%

CHICAGO — As of Sept. 30, the Teamsters, Central States, Southeast and Southwest Areas Pension Fund's assets decreased 0.2% to $8.469 billion from $8.482 billion a year earlier. All assets are defined benefit.

Equity managers: BEA; Equitable; INVESCO; Mellon Capital; and Wells Fargo.

Fixed income managers: Bankers Trust; Fiduciary; Lincoln; MacKay-Shields; Mellon Bank; Miller, Anderson & Sherrerd; Putnam; and T. Rowe Price.

Morgan Stanley Group Inc. is the fund's named fiduciary and oversees the investment management of the fund. At Central States, the key person is Ronald J. Kubalanza, executive director.

Western Conference of Teamsters' Pension Trust

	($ millions)
Total assets*	8,000
Defined benefit	8,000
Employer contributions	486
Benefit payments	590
*as of Aug. 31, 1988	
Passive investments	
Indexed stocks	860
Indexed bonds	460
Dedicated/immunized	3,940
GICs	60
Alternative investments	
Real estate equity	620
Mortgages	165
Defined benefit asset mix	
Stocks	12.6%
Bonds	56.4%
Cash equivalents	0.3%
Real estate equity	7.8%
Mortgages	2.1%
GICs	0.8%
Annuities	20%

SEATTLE — As of Aug. 31, the Western Conference of Teamsters' Pension Trust's assets increased 6.3% to $8 billion from $7.524 billion a year earlier. All the assets are defined benefit. The $165 million in mortgages is composed of $115 million in hybrid debt and $50 million in straight mortgages.

Equity managers: Fidelity Management Trust; Prudential Asset; and Wells Fargo Investment.

Fixed-income managers: Prudential Fixed Income.

Real estate managers: Phoenix Mutual and Prudential.

GIC managers: Pacific Mutual and Travelers.

The master custodian is Boston Safe Deposit; the investment consultant is Alan D. Biller & Associates.

Key personnel overseeing the investment management of the fund are Joseph Ballew, chairman of the board of trustees; Owen Bennett, co-chairman of the board; and John Bacon, chairman of the investment committee.

Tenneco Inc.

	($ millions)
Total assets	2,542
Defined benefit	1,717
401(k)	825
Employer contributions	41
Benefit payments	56
Passive investments	
Indexed stocks	400
Indexed bonds	280
Alternative investments	
Private placements	10
Mortgages	10
Mortgage-backed securities	50
Hedging devices	
Stock index futures	Y
Defined benefit asset mix	
Stocks	60%
Bonds	27%
Cash equivalents	10%
Mortgage-backed securities	3%
Defined contribution asset mix	
Stocks	5%
Bonds	2%
Cash equivalents	66%
Company stock	26%
Other	1%

HOUSTON — As of Sept. 30, Tenneco Inc.'s total employee benefit assets decreased 3.7% to $2.542 billion from $2.635 billion a year earlier. Defined benefit assets decreased 5.1% during the same period, to $1.717 billion from $1.81 billion, while 401(k) assets increased 10% to $825 million from $750 million.

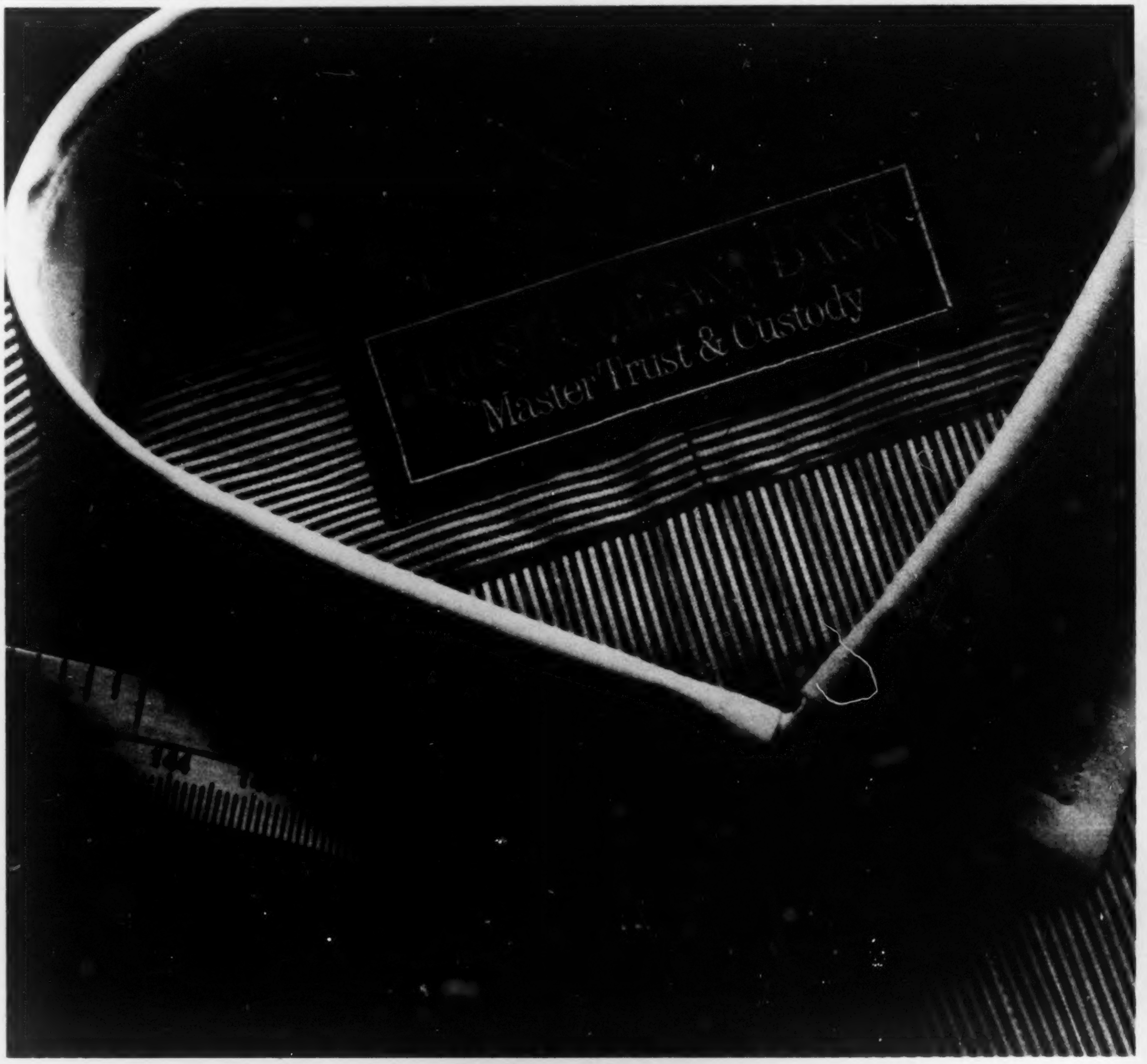
Equity managers: Sanford Bernstein; Capstone; Delaware; Dimensional Fund; IDS Advisory; Pilgrim Baxter Greig; and Fayez Sarofim.

Fixed-income managers: Capstone; Fischer, Francis; J.P. Morgan; State Street Research; and STW Asset.

Other manager: Bridge Capital.

The master trustee is NCNB-Texas; the investment consultant is Callan.

Key personnel overseeing the investment management of the fund are Ken Reese, chairman-investment committee, and Al Stewart, pension investment officer.



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Tennessee Consolidated Retirement System

	($ millions)
Total assets*	6,643
Defined benefit	6,582
401(k)	24
457	37
Employer contributions	385
Benefit payments	255

*Defined benefit assets as of Oct. 17, 1988; 401(k) and 457 assets as of June 30, 1988.

In-house assets	
Equities	2,235
Fixed income	3,336
Short term	345
Other	666
Alternative investments	
International equities	373
International bonds	145
Private placements	6
Mortgages	2
Mortgage-backed securities	443
Defined benefit asset mix	
Stocks	39%
Bonds	47.7%
Cash equivalents	6.6%
Mortgage-backed securities	6.7%
Defined contribution asset mix	
Stocks	15.7%
Bonds	2.8%
Cash equivalents	24.7%
GIC's	17.5%
Annuities	17.1%
Other	1.2%

NASHVILLE, Tenn. — As of Oct. 17, assets of the Tennessee Consolidated Retirement System increased 8.3% to $6.643 billion from $6.132 billion Sept. 30, 1987. All the assets are managed internally.

Chase Manhattan is the master and global custodian.

Key personnel overseeing the investment management of the fund are Charles H. Webb, chief investment officer; Marshall Cox, fixed-income portfolio manager; and Jeremy Conlin, equity portfolio manager.

Tennessee Valley Authority Retirement System

	($ millions)
Total assets	2,500
Defined benefit	2,400
Thrift or savings	100
Employer contributions	64
Benefit payments	96
Passive investments	
Indexed stocks	693
Dedicated/immunized	518
GIC's	49
Alternative investments	
Oil and gas	[illegible]
Private placements	[illegible]
Real estate equity	11
Hedging devices	
Fixed-income futures	Y
Defined benefit asset mix	
Stocks	48%
Bonds	42%
Cash equivalents	8%
GIC's	2%

KNOXVILLE, Tenn. — As of Sept. 30, the Tennessee Valley Authority Retirement System's total employee benefit assets decreased 2.9% to $2.5 billion from $2.574 billion a year earlier. Defined benefit assets decreased 2.5% during the same period, to $2.4 billion from $2.461 billion. Thrift or savings plan assets decreased 11.5%, to $100 million from $113 million.

Equity managers: Disciplined Investment; Geewax, Terker; Mellon Capital; Morgan Grenfell; and Sun Banks.

Fixed-income managers: Duff & Phelps; Lord Abbett; and Mellon Capital.

Real estate manager: Citibank.

The master trustee is Mellon; the investment consultant is Wilshire.

Key personnel overseeing the investment management of the fund are Dale Kangas, executive secretary; L.H. Edwards, chairman-board of directors; and R.L. Yates, chairman-investment committee.

Texaco Inc.

	($ millions)
Total assets*	2,772
Defined benefit	1,478
Thrift or savings	1,194
ESOP	100
Employer contributions	na
Benefit payments	na

**P&I Age* estimate

WHITE PLAINS, N.Y. — As of Sept. 30, *Pensions & Investment Age* estimates Texaco Inc.'s total employee benefit assets increased 15.5% to $2.772 billion from $2.4 billion a year earlier. Defined benefit assets decreased 1.5% during the same period, to $1.478 billion from $1.5 billion, according to *P&I Age* estimates.

Texaco officials did not provide data for the profile. The following manager list was taken from the 1989 Money Market Directory.

Investment managers: Aetna; Alliance; Chase; Copley; Equitable; Harris Associates; INVESCO; John Hancock; WR Lazard; McCowan; Mellon Capital; J.P. Morgan; New England; Prudential; and Trinity.

The master trustee is Chase; the investment consultant is Wilshire.

Key personnel overseeing the investment management of the fund are Michael Carlucci, assistant treasurer, and Shelby Faber, manager-pensions and benefits.

Texas County and District Retirement System

	($ millions)
Total assets	1,789
Defined contribution	1,789
Employer contributions	85
Benefit payments	48
Defined contribution asset mix	
Bonds	64.5%
Cash equivalents	0.5%
Mortgage-backed securities	35%

AUSTIN, Texas — As of Sept. 30, the Texas County and District Retirement System's total employee benefit assets increased 19.3% to $1.789 billion from $1.5 billion a year earlier. All the assets are in a defined contribution plan.

Key personnel overseeing the investment management of the fund are J. Robert Brown, director, and Ronald C. Schultz, investment consultant.

Employees Retirement System of Texas

	($ millions)
Total assets	5,108
Defined benefit	5,108
Employer contributions	160
Benefit payments	381
In-house assets	
Equities	1,221
Fixed income	2,790
Short term	197
Passive investments	
Indexed stocks	291
Alternative investments	
Mortgage-backed securities	688
Defined benefit asset mix	
Stocks	21.9%
Bonds	60.7%
Cash equivalents	3.9%
Mortgage-backed securities	13.5%

AUSTIN, Texas — As of Sept. 30, the Employees Retirement System of Texas total employee benefit assets increased 6.6% to $5.108 billion from $4.792 billion as of Aug. 31, 1987. All assets are in an internally managed defined benefit plan.

Equity adviser: INVESCO.

Fixed-income adviser: Duff and Phelps.

The investment consultant is Wilshire.

Key personnel overseeing the investment management of the fund are Clayton T. Garrison, executive director; Nancy G. Goerdel, deputy director-investments; and Stephen P. Arnold, assistant investment officer.

Texas Instruments Inc.

	($ millions)
Total assets	1,379
Defined benefit	865
Profit-sharing	373
401(k)	109
Other*	32
Employer contributions	na
Benefit payments	na

*as of Dec. 31, 1987

Alternative investments	
Real estate equity	78
Hedging devices	
Stock options	Y
Stock index futures	Y
Defined benefit asset mix	
Stocks	52%
Bonds	15%
Cash equivalents	16%
Real estate equity	9%
Other	8%
Defined contribution asset mix	
Stocks	4%
Cash equivalents	10%
GICs	14%
Company stock	72%

DALLAS — As of Sept. 30, Texas Instrument Inc.'s total employee benefit assets decreased 11.1% to $1.379 billion from $1.552 billion a year earlier. Defined benefit assets decreased 3% during the same period, to $865 million from $892 million.

The fund has small investments in indexed stocks, venture capital and leveraged buy-outs.

Equity managers: Forstmann-Leff; Tom Johnson; Lieber; McKenzie-Walker; Miller, Anderson; NCNB Texas; and Westwood.

Fixed-income managers: Chancellor and Herbert R. Smith.

Real estate manager: Tomlin.

Other managers: Cross Roads; Forstmann Little; Alan Patricoff; and Wells Fargo.

The master trustee is NCNB Texas; the investment consultants are SEI and Rogers, Casey & Barksdale.

Key personnel overseeing the investment management of the fund are William A. Aylesworth, senior vice president, treasurer and chief financial officer, and Irene M. Leary, manager-employee benefit fund investments.

Texas Municipal Retirement System

	($ millions)
Total assets	1,800
Defined contribution	1,800
Employer contributions	na
Benefit payments	na
Defined contribution asset mix	
Bonds	100%

AUSTIN, Texas — As of Sept. 30, the Texas Municipal Retirement System's total employee benefit assets increased 12.5% to $1.8 billion from $1.6 billion a year earlier. All assets are defined contribution.

The master custodian is First City Bank, Austin; the investment consultant is Duff & Phelps.

Key personnel overseeing the investment management of the fund are Jimmie L. Mormon, director, and Preston G. Craig, investment officer.

Teacher Retirement System of Texas

	($ millions)
Total assets	19,439
Defined benefit	19,439
Employer contributions	700
Benefit payments	944
In-house assets	
Equities	7,465
Fixed income	9,700
Short term	680
Other	1,594
Alternative investments	
Mortgages	1,527
Mortgage-backed securities	1,060
Defined benefit asset mix	
Stocks	38.4%
Bonds	33.1%
Cash equivalents	3.5%
Mortgages	9.2%
Mortgage-backed securities	15.8%

AUSTIN, Texas — As of Sept. 30, the Teacher Retirement System of Texas' total employee benefit assets increased 2.7% to $19.439 billion from $18.93 billion a year earlier. All assets are defined benefit, and are managed internally.

Key personnel overseeing the investment management of the fund are Bruce Hineman, executive director; Joe Perrone, chief investment officer; George Reagan, investment officer-equities; and Jack Cooper, investment officer-fixed income.

Textron Inc.

	($ millions)
Total assets	2,792
Defined benefit	2,126
Profit-sharing	152
Thrift or savings	514
Employer contributions	49
Benefit payments	124
In-house assets	
Equities	445
Fixed income	912
Short term	337
Other	166
Alternative investments	
Oil and gas	25
LBOs	50
Private placements	50
Real estate equity	196
Defined benefit asset mix	
Stocks	34%
Bonds	44%
Cash equivalents	11%
Real estate equity	9%
GICs	2%
Defined contribution asset mix	
Stocks	28%
Bonds	28%
Cash equivalents	9%
GICs	20%
Other	15%

PROVIDENCE, R.I. — As of Sept. 30, Textron Inc.'s total employee benefit assets decreased 3% to $2.792 billion from $2.881 billion a year earlier. Defined benefit assets decreased 3.4% during the same period, to $2.126 billion from $2.2 billion.

Equity managers: Sanford Bernstein; Delaware Investment; NBD; Thorndike, Doran; and Trinity.

Fixed-income manager: NBD.

Real estate managers: Prudential and Textron.

Other manager: Metropolitan Life.

The master trustee is Bankers Trust.

The key person overseeing the investment management of the fund is Richard A. Watson, vice president.

Top 200 funds with defined benefit assets invested in:

GICs

Fund	Assets $ millions
Ford Motor	1,500
New York City	1,004
Colorado Public Employees	623
General Electric	600
Eastern Air Lines	540
Detroit Systems	380
Chevron	361
Unisys	238
K mart	191
Allied-Signal	190
Kraft	188
United Methodist Church	171
Trans World Air Lines	130
General Dynamics	120
Philip Morris	120
Southern California UFCW	118
Int'l Operating Engineers	104
Hercules	92
Inland Steel Industries	90
Southern California Edison	90
Southern Baptist Convention	88
Hawaii State Employees	86
Mass. Teachers & Employees	80
Shell Oil	77
United Parcel Service	77
Baltimore City	73
Florida State Board	71
Boilermaker Blacksmith	68
Teamsters, Western	60
Honeywell	57
Atlantic Richfield	53
Sun	53
Bakery & Confectionery	50
Tennessee Valley Authority	49
International Paper	46
Nat'l Electrical Contractors/IBEW	40
Bethlehem Steel	35
Connecticut Trust Funds	35
Armco	24
Delta Air Lines	18
Chrysler	11
Illinois State Universities	10
Alabama Systems	7
Missouri Public School	6
Total	**8,014**

Trans World Airlines Inc.

	($ millions)
Total assets	2,104
Defined benefit	882
Defined contribution	1,116
Thrift or savings	77
401(k)	29
Employer contributions	72
Benefit payments	110
In-house assets	
Equities	338
Fixed income	165
Short term	53
Passive investments	
GICs	130
Alternative investments	
International bonds	17
Real estate equity	19
Hedging devices	
Stock options	Y
Defined benefit asset mix	
Stocks	38.3%
Bonds	18.7%
Cash equivalents	26.1%
Real estate equity	2.2%
GICs	14.7%
Defined contribution asset mix	
Stocks	51%
Bonds	10%
Cash equivalents	10%
GICs	21%
Real estate	8%

KANSAS CITY, Mo. — As of Sept. 30, Trans World Airlines Inc.'s total employee benefit assets decreased 18.2% to $2.104 billion from $2.571 billion a year earlier. Defined benefit assets decreased 31.9% during the same period, to $882 million from $1.296 billion. Defined contribution assets decreased 6.6%, to $1.116 billion from $1.195 billion.

Real estate managers: Aetna; Citibank; Coldwell Banker; and Lomas & Nettleton.

GIC managers: Aetna; General American; and New England.

Boston Safe Deposit is the master trustee and global custodian.

The key person overseeing the investment management of the fund is Gary D. Dilley, director-pension finance.

Travelers Insurance Companies

	($ millions)
Total assets	1,830
Defined benefit	1,376
Thrift or savings	286
401(k)	100
TESOP/IRA	68
Employer contributions	64
Benefit payments	60
In-house assets	
Equities	578
Fixed income	170
Short term	99
Other	529
Passive investments	
Indexed stocks	155
Indexed bonds	49
Alternative investments	
International equities	116
International bonds	23
Private placements	34
Real estate equity	70
Mortgages	21
Hedging devices	
Stock options	Y
Bond options	Y
Stock index futures	Y
Fixed-income futures	Y
Defined benefit asset mix	
Stocks	42%
Bonds	13%
Cash equivalents	7%
Real estate equity	5%
Mortgages	1%
Annuities	32%
Defined contribution asset mix	
Stocks	6%
Company stock	30%
Other	64%

HARTFORD, Conn. — As of Sept. 30, Travelers Insurance Cos.' total employee benefit assets were virtually unchanged from a year earlier at $1.83 billion compared with $1.823 billion. Likewise, defined benefit assets were almost unchanged at $1.376 billion compared with $1.377 billion a year ago.

All assets are managed internally or by subsidiaries of Travelers.

Connecticut National Bank is master trustee and global custodian.

Key personnel overseeing the investment management of the fund are Richard Shima, executive vice president, Travelers Insurance Cos.; Thomas O. Thorsen, executive vice president Travelers Insurance; and David M. Dunford, president, Travelers Investment Management.

TRW Inc.

	($ millions)
Total assets*	2,054
Defined benefit	1,889
Defined contribution	165
Employer contributions	11
Benefit payments	na

*From Money Market Directory

CLEVELAND — As of June 30, TRW Inc.'s total employee benefit assets decreased 7.8% to the $2.054 billion listed in Money Market Directory from $2.228 billion as of Sept. 30, 1987. Defined benefit assets decreased 7.4% during the same period, to $1.889 billion (as listed in MMD) from $2.041 billion.

All the information from this profile was taken from the 1989 Money Market Directory.

Managers: Fred Alger; Alliance; Baring America; Baring International; Boston Safe; Campbell Advisors; Hartford Insurance; Hoisington; Investment Counselors of Maryland; Ivory & Sime International; MacKay-Shields; MONY Financial; Morgan Grenfell Investment; J.P. Morgan; PIMCO; Pacific Mutual Life; Texas Commerce; and Westwood.

The master trustee is Boston Safe

Deposit & Trust.

Key personnel overseeing the investment management of the fund are Edward Button, president-TRW Investment Management, and Robert J. Hamje, vice president-TRW Investment Management.

U

UAL Corp.

	($ millions)
Total assets	3,300
Defined benefit	1,800
Defined contribution	1,100
401(k)	400
Employer contributions	120
Benefit payments	100
Passive investments	
Indexed stocks	275
Alternative investments	
Real estate equity	140
Hedging devices	
Fixed-income futures	Y
Defined benefit asset mix	
Stocks	50%
Bonds	42%
Real estate equity	8%
Defined contribution asset mix	
Stocks	41%
Bonds	39%
GICs	20%

CHICAGO — As of Sept. 30, UAL Corp.'s total employee benefit assets increased 6.5% to $3.3 billion from $3.1 billion a year earlier. Defined benefit and defined contribution assets remained the same at $1.8 billion and $1.1 billion. The assets of the company's 401(k) plan, however, jumped 100% to $400 million from $200 million a year earlier.

Equity managers: Cambiar; First Manhattan; Hotchkis and Wiley; Lincoln Capital; McCowan; Sit; and Weiss, Peck & Greer.

Fixed-income managers: Sanford Bernstein; W.R. Huff; J.P. Morgan; and PIMCO.

Real estate managers: LaSalle; PMRealty; and RREEF.

The master trustee is National Bank of Detroit; the investment consultant is Frank Russell.

The key person overseeing the investment management of the fund is David J. Dykstra, director-pension assets.

Union Carbide Corp.

	($ millions)
Total assets	1,711
Defined benefit	1,711
Employer contributions	0
Benefit payments	83
In-house assets	
Equities	329
Fixed income	1,090
Short term	134
Other	158
Alternative investments	
Private placements	10
Real estate equity	19
Mortgages	100
Hedging devices	
Stock options	Y
Stock index futures	Y
Defined benefit asset mix	
Stocks	19%
Bonds	64%
Cash equivalents	8%
Mortgages	6%
Real estate equity	1%
Annuities	2%

DANBURY, Conn. — As of Sept. 30, Union Carbide Corp.'s total employee benefit assets increased 2.9% to $1.711 billion from $1.663 billion a year earlier. All the assets are defined benefit.

The master trustee is Manufacturers Hanover; the investment consultant is Benefit Capital Management, Union Carbide's in-house investment management unit.

Key personnel overseeing the investment management of the fund, all Benefit Capital executives, are M.F. Hoben, president; L.R. Fuller, senior vice president-equities; and R. Burstein, senior vice president-fixed income.

Unisys Corp.

	($ millions)
Total assets*	4,281
Defined benefit	2,667
401(k)	1,614
Employer contributions	93
Benefit payments	135
*as of Aug. 31, 1988	
Passive investments	
Indexed stocks	917
Dedicated/immunized	345
GICs	238
Alternative investments	
International equities	141
Venture capital	38
Real estate equity	152
Hedging devices	
Stock options	Y
Stock index futures	Y
Defined benefit asset mix	
Stocks	72.3%
Bonds	12.9%
Cash equivalents	0.2%
Real estate equity	5.7%
GICs	8.9%

BLUE BELL, Pa. — As of Aug. 31, Unisys Corp.'s total employee benefit assets decreased 8.7% to $4.281 billion from $4.691 billion a year earlier. Defined benefit assets decreased 13.9% during the same period, to $2.667 billion from $3.037 billion.

Equity managers: Domestic — Fred Alger; Nicholas Applegate; BEA Associates; Chase; Concord Capital; Geewax Terker; Independence Investment; Lazard Freres; Liberty Square; NWQ Investment; Pacific Financial Research; PRIMECAP; Rosenberg; Thomson, Horstmann & Bryant; Travelers Options; United Capital; and Wells Fargo.

International — Mellon-Pictet; Mercator; Putnam; and Thorndike, Doran.

Fixed-income managers: Harris; M.D. Sass; and Security Capital.

Real estate managers: Chemical Bank; Coldwell Banker; JMB; LaSalle; and RCB.

Other managers: Aetna; Hancock; and Harris.

The master trustees are Harris Trust for the defined benefit plan and Northern Trust for the defined contribution plan; the global custodians are Harris Trust and Mitsubishi Bank; and the investment consultant is Rogers, Casey & Barksdale.

Key personnel overseeing the investment management of the fund are Leon J. Level, vice president and treasurer, and David White, vice president-capital management and trust investments.

United Food & Commercial Workers & Food Employers (Southern California)

	($ millions)
Total assets	1,464
Defined benefit	1,464
Employer contributions	105
Benefit payments	95
In-house assets	
Short term	65
Other	7
Passive investments	
Indexed stocks	120
Dedicated/immunized	207
GICs	118
Alternative investments	
Real estate equity	28
Mortgages	3
Hedging devices	
Fixed-income futures	Y
Defined benefit asset mix	
Stocks	36%
Bonds	45%
Cash equivalents	9%
Real estate equity	1.8%
Mortgages	0.2%
GICs	8%

CYPRESS, Calif. — As of Sept. 30, The United Food & Commercial Workers & Food Employers' total employee benefit assets increased 0.1% to $1.464 billion from $1.463 billion a year earlier. All of the assets are in a defined benefit plan.

Equity managers: Batterymarch; Cramblit & Carney; Lazard Freres; Oppenheimer; and Wells Fargo.

Fixed-income managers: Pacific Asset; Putnam; and Weiss, Peck & Greer.

Real estate manager: McMorgan.

Other manager: Patterson Capital.

The master trustee is First Interstate Bank; the investment consultant is R.V. Kuhns.

Key personnel overseeing the investment management of the fund are P. Colleen Thompson, administrator, and Joel F. Meltz, controller.

Best corporate treasury departments: June 12.

General Board of Pensions — United Methodist Church

	($ millions)
Total assets	2,903
Defined benefit	1,480
Defined contribution	1,423
Employer contributions	167
Benefit payments	119
In-house assets	
Fixed income	162
Short term	9
Passive investments	
Indexed stocks	262
Indexed bonds	10
GICs	171
Alternative investments	
Real estate equity	50
Mortgages	1
Mortgage-backed securities	24
Hedging devices	
Stock index futures	Y
Defined benefit asset mix	
Stocks	56.3%
Bonds	14.7%
Cash equivalents	11.7%
Real estate equity	4.1%
Mortgages	0.1%
Mortgage-backed securities	1.7%
GICs	11.4%
Defined contribution asset mix	
Stocks	53.6%
Bonds	18.8%
Cash equivalents	10.7%
GICs	13.5%
Other	3.4%

EVANSTON, Ill. — As of Sept. 30, the General Board of Pensions — United Methodist Church's total employee benefit assets decreased 1.8% to $2.903 billion from $2.957 billion a year earlier.

Equity managers: American National Bank, Chicago; Ariel; Capital Guardian; Columbus Circle; Delaware; Fidelity Management Trust; INVESCO; John McStay Investment; Nicholas-Applegate; Olympic Capital; RCM Capital; W.P. Stewart; and Westwood.

Fixed-income managers: CIGNA; Criterion; Lincoln Capital; Mellon Bond; Stein Roe & Farnham; and STW.

Real estate managers: CIGNA Asset and JMB.

The master custodian is Mellon Bank; the investment consultant is Hotchkiss and Associates.

Key personnel overseeing the investment management of the fund are James F. Parker, general secretary; F. Gale Whitson-Schmidt, chief financial officer; and Di ne O. Pinney, treasurer.

UMWA Health & Retirement Funds

	($ millions)
Total assets*	4,700
Defined benefit	4,700
Employer contributions	60
Benefit payments	440
*as of Aug. 30, 1988	
In-house assets	
Fixed income	450
Short term	100
Passive investments	
Indexed equities	500
Indexed bonds	450
Dedicated/immunized	1,700
Alternative investments	
Real estate equity	117
Mortgage-backed securities	200
Hedging devices	
Stock options	Y
Stock index futures	Y
Fixed-income futures	Y
Defined benefit asset mix	
Stocks	40%
Bonds	46.2%
Cash equivalents	7%
Real estate equity	2.5%
Mortgage-backed securities	4.3%

WASHINGTON — As of Aug. 30, the UMWA Health & Retirement Fund's total employee benefit assets decreased 2.6% to $4.7 billion from $4.825 billion as of Sept. 30, 1987. All of the assets are in a defined benefit plan.

Equity managers: Argus; Barrow, Hanley; Concord; Denver Investment; Dreman; Lazard Freres; Loomis, Sayles; T. Rowe Price; Wells Fargo; and Windsor Fund.

Fixed-income managers: Criterion; Loomis; J.P. Morgan; and STW.

Real estate managers: Goldman, Sachs; Metropolitan Life; RREEF; State Street; and TCW.

Options overwrite managers: Loomis and Oppenheimer.

The master trustee is Boston Safe Deposit & Trust.

Key personnel overseeing the investment management of the fund are Charles S. Stephens, director of investments and treasurer, and Terrence L. Bercini, assistant director of investments.

United Nations Joint Staff Pension Fund

	($ millions)
Total assets	7,146
Defined benefit	7,146
Employer contributions	271
Benefit payments	430
In-house assets	
Equities	3,137
Fixed income	2,345
Short term	832
Other	832
Alternative investments	
International equities	1,703
International bonds	1,365
Other international	476
Real estate equity	832
Defined benefit asset mix	
Stocks	44%
Bonds	32.8%
Cash equivalents	11.6%
Real estate equity	11.6%

NEW YORK — As of Sept. 30, the United Nations Joint Staff Pension Fund's total assets decreased 3.8% to $7.146 billion from $7.428 billion a year earlier.

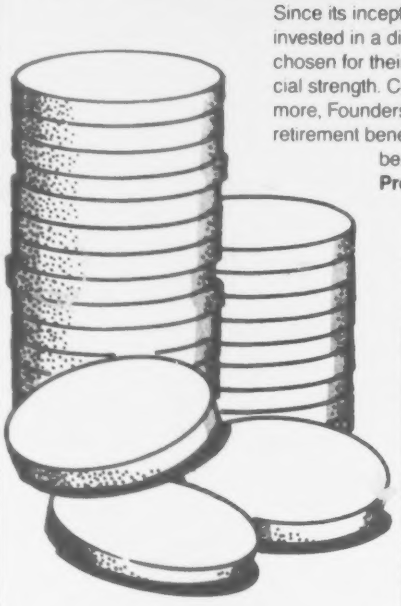
The fund is internally managed but also invests in various unnamed real estate commingled vehicles.

The master trustee is the United Nations Secretary-General; the global custodian is Fiduciary Trust Co. International, which also provides investment advice.

Key personnel overseeing the investment management of the fund are Pierre Henchoz, chief-investment management section; and Henry Ouma, deputy chief; and Cecil Ee, senior investment officer. Mauricio Rezende, Susan Farber, Dagmar Hesse Kreindler and Fernando Torres-Torija are investment officers.

United Parcel Service

	($ millions)
Total assets	1,443
Defined benefit	715
Thrift or savings	720
401(k)	8
Employer contributions	109
Benefit payments	9
In-house assets	
Equities	10
Other	25
Passive investments	
GICs	77
Alternative investments	
Real estate equity	10
Defined benefit asset mix	
Stocks	32%
Bonds	32%
Cash equivalents	22%
Real estate equity	1%
GICs	11%
Other	2%
Defined contribution asset mix	
Stocks	5%



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Bonds	24%
Cash equivalents	28%
GICs	25%
Company stock	9%
Other	9%

GREENWICH, Conn. — As of Sept. 30, United Parcel Service's total employee benefit assets increased 13.2% to $1.443 billion from $1.275 billion a year earlier. Defined benefit assets increased 5.9% during the same period, to $715 million from $675 million.

Equity and fixed income managers: BEA; Sanford Bernstein; Connecticut National; First Fidelity; Investment Advisers; J.P. Morgan; and Mitchell Hutchins.

GIC managers: Equitable and Metropolitan.

The master trustee is Bankers Trust.

Key personnel overseeing the investment management of the fund are Roger Hostetler, treasury manager; Robert F. Markmann, investments manager; and Bruce Bissell, investments.

United Technologies Corp.

	($ millions)
Total assets	7,000
Defined benefit	5,300
401(k)	1,700
Employer contributions	na
Benefit payments	na
Passive investments	
Indexed stocks	500
Dedicated/immunized	60
Alternative investments	
International equities	400
International bonds	200
Venture capital	75
LBOs	125
Real estate equity	175
Hedging devices	
Stock options	Y
Bond options	Y
Stock index futures	Y
Fixed-income futures	Y

HARTFORD, Conn. — As of Sept. 30, United Technologies Corp.'s total employee benefit assets increased 0.8% to $7 billion from $6.946 billion a year earlier. Defined benefit assets decreased 3.5% during the same period, to $5.3 billion from $5.495 billion. 401(k) plan assets increased 17.2% to $1.7 billion from $1.451 billion.

United Technologies officials declined to provide an asset mix.

The master trustee and global custodian is Citibank; the investment consultant is Frank Russell.

Key personnel overseeing the investment management of the fund are F.M. Crimbly, director-pension investments; R. Cepelak, manager-pension investments; and M. Vrissis, manager-investment administration.

U S WEST Inc.

	($ millions)
Total assets*	8,133
Defined benefit	6,949
Savings and ESOP	1,184
Employer contributions	105
Benefit payments	na

*From Money Market Directory

ENGLEWOOD, Colo. — As of June 30, U S WEST Inc.'s total employee benefit assets increased 1.1% to $8.133 billion from $8.046 billion a year earlier, according to the 1989 Money Market Directory, which provided all the information for this profile. Defined benefit assets decreased 2% during the same period, to $6.949 billion from $7.094 billion.

Managers: Boston Co.; Citibank; Concord; Copley; Denver; Desai Capital; Equitable Real Estate; First Chicago; First Manhattan; Greene; HFS Partners; Jennison; Jones Lang Wootton; Mellon Capital; Metropolitan Life; Morgan Stanley Asset; NISA; Oechsle; Payden & Rygel; PRIMECAP; Retail Property Trust; Sarofim; Sentinel; TCW Realty; and Trinity Investment.

The master trustee for the defined benefit fund is Boston Safe; the custodian for the savings plans is Bankers Trust.

Key personnel overseeing the investment management of the fund are James J. Biundo, assistant treasurer-trust investment management; James R. Belquist, director-trust investment management; and Bruce P. Pflug, manager-trust investment management.

USX Corp.

	($ millions)
Total assets	8,860
Defined benefit	8,550
Thrift or savings	270
401(k)	40
Employer contributions	na
Benefit payments	na
In-house assets	
Equities	4,959
Fixed income	1,690
Short term	1,111
Other	790
Alternative investments	
International equities	150
Oil and gas	40
Private placements	300
Real estate equity	200
Mortgages	50
Mortgage-backed securities	200
Hedging devices	
Stock options	Y
Stock index futures	Y
Fixed-income futures	Y
Defined benefit asset mix	
Stocks	58%
Bonds	21%
Cash equivalents	13%
Real estate equity	2%
Mortgages	0.5%
Mortgage-backed securities	2%
Other	3.5%

PITTSBURGH — As of Sept. 30, USX Corp.'s total employee benefit assets decreased 12.7% to $8.86 billion from $10.15 billion a year earlier. Defined benefit assets decreased 12.8% during the same period to $8.55 billion from $9.8 billion. Thrift/savings plans assets decreased 10% to $270 million from $300 million a year earlier.

All assets are managed internally by the U.S. Steel & Carnegie Pension Fund.

The custodians are Morgan, U.S. Trust and Bank of New York.

Key personnel overseeing the investment management of the U.S. Steel & Carnegie Pension Fund are Gary A. Glynn, president, and Peter C. Lincoln, vice president-investments.

Utah State Retirement Fund

	($ millions)
Total assets	3,205
Defined benefit	3,190
401(k)/457 plans	15
Employer contributions	120
Benefit payments	90
In-house assets	
Equities	710
Fixed income	1,230
Short term	413
Other	77
Passive investments	
Indexed stocks	620
Alternative investments	
International equities	50
Venture capital	20
LBOs	30
Real estate equity	215
Mortgages	40
Mortgage-backed securities	80
Hedging devices	
Stock options	Y
Defined benefit asset mix	
Stocks	43%
Bonds	35%
Cash equivalents	11%
Real estate equity	8%
Mortgages	1%
Mortgage-backed securities	2%

SALT LAKE CITY — As of Sept. 30, The Utah State Retirement Fund's total employee benefit assets decreased 1.3% to $3.205 billion from $3.246 billion a year earlier. Defined benefit assets decreased 1.7% during the same period, to $3.19 billion from $3.246 billion.

Equity managers: Domestic — Atalanta/Sosnoff; Dimensional; Smoot, Miller, Cheney; Value Line; and Wasatch.

International — State Street Bank.

Real estate managers: Aetna; F.I.A. and JMB.

The master custodian is Chemical Bank.

Key personnel overseeing the investment management of the fund are W. Dan Smith, investment officer, and Richard Cherry, assistant investment officer.

Reprints of articles appearing in *Pensions & Investment Age* are available.
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V

Virginia Supplemental Retirement System

	($ millions)
Total assets	8,041
Defined benefit	8,041
Employer contributions	464
Benefit payments	308
In-house assets	
Equities	745
Short term	368
Other	18
Passive investments	
Indexed stocks	1,735
Alternative investments	
Private placements	35
Real estate equity	287
Mortgages	50
Hedging devices	
Stock options	Y
Bond options	Y
Stock index futures	Y
Fixed-income futures	Y
Defined benefit asset mix	
Stocks	53%
Bonds	30.6%
Cash equivalents	12.1%
Real estate equity	4%
Mortgages	0.3%

RICHMOND, Va. — As of Sept. 30, Virginia Supplemental Retirement System's total employee benefit assets increased 5.7% to $8.041 billion from $7.61 billion a year earlier. All assets are in defined benefit plans.

Managers: Ardsley Partners; Bankers Trust; Sanford Bernstein; Concord; Corinthian; Delaware; DCM; Equitable; Fidelity Management; GAMCO; Hutson; IDS Advisory; Jundt/Capen; LaSalle Advisors; Lehman; Lincoln Capital; Loomis, Sayles; MacKay-Shields; Massachusetts Financial; McKenzie, Walker; Mellon Capital; Merganser; Miller, Anderson & Sherrerd; J.P. Morgan; The New England; Nicholas-Applegate; Pacific Financial; The Phoenix; Prudential; Rosenberg Institutional; RREEF; Security Capital; Schafer Capital; Donald Smith; and Sovran.

The master custodian is Boston Safe Deposit & Trust; the investment consultant is Rogers, Casey & Barksdale.

The key person overseeing the investment management of the fund is Timothy R. Barron, director of investments.

W

Washington State Investment Board

	($ millions)
Total assets	10,867
Defined benefit	10,867
Employer contributions	na
Benefit payments	na
In-house assets	
Fixed income	4,157
Short term	965
Other	958
Passive investments	
Indexed stocks	1,671
Indexed bonds	570
Alternative investments	
Venture capital	240
Oil and gas	37
LBOs	808
Private placements	236
Real estate equity	958
Mortgages	212
Mortgage-backed securities	544
Hedging devices	
Stock options	Y
Stock index futures	Y
Defined benefit asset mix	
Stocks	26.6%
Bonds	31.3%
Cash equivalents	8.9%
Real estate equity	8.8%
Mortgages	2%
Mortgage-backed securities	5%
Other	17.4%

OLYMPIA, Wash. — As of Sept. 30, the Washington State Investment Board's total employee benefit assets increased 2.5% to $10.867 billion from $10.6 billion a year earlier.

Equity managers: Columbia; Hotchkis and Wiley; Mellon Capital; Smith & Co.; United Capital; and Wells Fargo.

Real estate managers: Copley; Equitable; Pacific Mutual; RREEF; and Sentinel.

Top 200 funds with defined benefit assets invested in:

Private placements

Fund	Assets $ millions
Wisconsin Investment Board	2,586
General Electric	1,400
Alabama Systems	957
AT&T	794
State of Michigan	750
New York State Teachers	616
California State Teachers	528
Detroit Systems	485
Kansas Public Employees	353
USX	300
North Carolina Systems	279
Washington State Board	236
Georgia Teachers	215
Minnesota Mining & Mfg.	210
Goodyear Tire & Rubber	174
NYNEX	150
Army & Air Force Exchange	113
Prudential Insurance	111
Ohio Public Employees	100
Honeywell	97
Georgia Employees	76
Los Angeles County	70
Pacific Gas & Electric	63
CIGNA	60
Colorado Public Employees	57
New Jersey Investment	50
Textron	50
Florida State Board	47
Boilermaker Blacksmith	45
Monsanto	40
Atlantic Richfield	35
Virginia Supplement	35
Maine State	34
Travelers Insurance	34
Arkansas Teachers	30
Los Angeles Water & Power	29
E.I. du Pont de Nemours	26
Louisiana State	20
Episcopal Church	15
Ohio State Teachers	11
Tenneco	10
Union Carbide	10
Armco	8
Tennessee Consolidated	6
Commonwealth Edison	4
S. New England Telephone	4
NCR	2
Tennessee Valley Authority	2
World Bank	2
Indiana Public Employees	1
Pennsylvania State Employes	1
Total	11,329

Top 200 funds with defined benefit assets invested in:

LBOs

Fund	Assets $ millions
Washington State Board	808
Oregon Public Employes	500
New York State & Local	423
Wisconsin Investment Board	390
AT&T	356
GTE	189
State of Michigan	148
United Technologies	125
Amoco	76
Minnesota Mining & Mfg.	55
Delta Air Lines	50
Textron	50
Colorado Public Employees	45
World Bank	45
Mass. Teachers & Employees	40
Illinois State Board	37
Utah State	30
Honeywell	29
Aluminum Co. of America	26
Grumman	20
ITT	15
Chevron	9
Phillips Petroleum	5
Total	3,471

The master custodian is Bank of New York; the investment consultant is Frank Russell.

Key personnel overseeing the investment management of the fund are David Weig, executive director; Greg Baarson, deputy director; and Marc Fovinci, senior investment officer.

Proxies and corporate governance: April 17.

Westinghouse Electric Corp

	($ millio
Total assets	4,8
Defined benefit	3,7
401(k)	1,1
Employer contributions	
Benefit payments	
In-house assets	1,6
Alternative investments	
Real estate equity	5
Defined benefit asset mix	
Stocks	5
Bonds	3
Real estate equity	1
Defined contribution asset mix	
GICs	8
Other	2

PITTSBURGH — As of Sept. 3 Westinghouse Electric Corp.'s tot employee benefit assets decrease 3.5% to $4.8 billion from the $4.9 billion the Money Market Directory r ported the company had as of June 3 1987. Defined benefit assets d creased 7.2% during the same perio to $3.7 billion from $3.989 billion.

The rest of the information for th profile came from the 1989 MMD.

Managers: Advanced; Brandywin Brignoli, Curley & Roberts; Citiban Columbus Circle; MacKay-Shield Mellon Real Estate; Mitchell Hutchin J.P. Morgan; Pioneering; Pittsburg National; Provident Capital; Provide National; Putnam; State Street Ban and Vanguard.

The master trustee is Mellon Ban the investment consultant is Wilshi Associates.

The key person overseeing the i vestment management of the fund Thomas G. Scannell, director-pensi investments.

State of Wisconsin Investment Board

	($ millio
Total assets	16,4
Defined benefit	16,4
Employer contributions	3
Benefit payments	5
In-house assets	
Equities	8,3
Fixed income	6,3
Short term	1,1
Real estate	4
Alternative investments	
International equities	
International bonds	
Venture capital	
LBOs	3
Private placements	2,9
Real estate equity	3
Mortgages	1
Mortgage-backed securities	3
Hedging devices	
Bond options	
Fixed-income futures	
Defined benefit asset mix	
Stocks	5
Bonds	36.
Cash equivalents	
Real estate equity	2.
Mortgages	0.
Mortgage-backed securities	2.

MADISON, Wis. — As of Sept. 3 the State of Wisconsin Investme Board's total employee benefit asse increased 5% to $16.419 billion fro $15.632 billion a year earlier.

All assets are in an internally ma aged defined benefit plan.

The master custodian is Morga Guaranty.

Key personnel overseeing the i vestment management of the fund a Marshall Burkes, executive directo and Patricia Lipton, assistant executi director.

The International Bank for Reconstruction and Development (World Bank

	($ millio
Total assets	2,6
Defined benefit	2,6
Employer contributions	
Benefit payments	
Passive investments:	
Indexed stocks	3
Alternative investments	
International equities	3
International bonds	3
Venture capital	
LBOs	
Private placements	
Real estate equity	1
Defined benefit asset mix:	
Stocks	4
Bonds	3
Cash equivalents	1
Real estate equity	
Other	

WASHINGTON — As of Sept. 3

Equity reduction

Continued from page 13

tions by 11 points: Caterpillar Inc., Peoria, Ill., with $3.61 billion in defined benefit assets; the $3.495 billion Hawaii Employees Retirement System, Honolulu; and the $727 million defined benefit fund of the Annuity Board of the Southern Baptist Convention, Dallas.

The increase makes Caterpillar, now with 75% of its assets in equities, the most bullish of the Top 200 funds, together with the $10.329 billion fund of the University of California, Berkeley. The university, however, brought its allocation during the year 8 points closer to Earth from a stratospheric 83% of assets as of Sept. 30, 1987.

Amoco Corp., Chicago, whose $2.214 billion defined benefit fund also is weighed heavily to equities, increased its allocation during the year by three points, to 66%. But Marvin Damsma, director-pension fund administration, said, "There was no conscious change."

"We've always had a lot in equities, probably more than the typical fund."

A few funds stood pat with their equity allocations. BP America Inc., Cleveland, kept its equity position at 65% of its $1.156 billion in defined benefit assets.

A week after the crash, the fund's pension committee happened to hold its scheduled quarterly meeting, providing "a tremendous opportunity in light of the downfall in the market" to make any changes, said Dennis J. Hamilton, director-pension investments. "If we wanted to make a change, there was the group to do it."

"But we didn't panic into changing our long-term asset allocation," he added. "We didn't make any changes as a result of the crash."

"We felt we had to stress the long term; our equities had historically the highest degree of volatility; and the crash confirmed that," he said.

The fund move ahead with previously planned changes within its equity allocation. BP America raised its international equities to 13% from 10% of assets and it started in-house asset management for part of its actively run domestic equities, taking $200 million from external equity managers.

For the year, 55%, or 94, of the funds showed declines in asset growth, using the formula of asset change, net of contributions and benefit payments.

By contrast 45%, or 77 funds, showed increases in asset growth, as defined by the formula. Insufficient information was available on the other 29 funds in the Top 200.

Corporate funds as a group performed worse than the Top 200. Of the corporate funds, 75%, or 71 of the 95 corporate funds for which data are available, show decreases in asset growth, while 25%, or 24 funds, show increases.

The reason appears to lay in their higher allocation equity. Of the Top 200, 19 funds, all corporate except for the University of California, have equity positions of 60% or more.

By contrast, among the nine Taft-Hartley funds, the highest equity allocation is the 43% of the $1.436 billion IAM National Pension Fund, Washington, which is down from the 49% it had allocated as of the Sept. 30, 1987. The $1.464 billion defined benefit fund of the United Food & Commercial Workers, Southern California, Cypress, Calif., which at 50% had the highest equity allocation in 1987, reported only a 36% position in 1988.

Of the 67 public funds in the Top 200 for which information is available, the $8.8 billion Oregon Public Employes Retirement System, Salem, had the highest equity allocation at 58% as of Sept. 30, up 1 point from the 57% the previous year.

Only 13 of the public funds, excluding the University of California, had equity allocations of 45% or more as of last Sept. 30, while 16 of the funds had allocations of 30% or less.

By contrast, the year before, 22 of the public funds had equity allocations of 45% or more, the highest then being the Maryland state fund at the previously mentioned 64%, while 13 had allocations of 30% or less.

But the data show it's difficult to conclude that funds with high equity allocations did worse than funds with lesser positions.

Owens-Illinois, which increased its already high equity exposure, showed a 7% increase in net growth of its pension fund, one of the highest growth rates among the Top 200 funds.

Of the five public funds with equity allocations of 50% or more in both 1987 and 1988, the fund of the $3.08 billion State Universities Retirement System of Illinois, Champaign, net of contributions and benefit payments, was up 5.14%; the $8.041 billion Virginia Supplemental Retirement Systems, Richmond, was up 3.61%; while the $2.774 billion Los Angeles Fire & Police Pension System, the $22.779 billion New York State Teachers Retirement System, Albany, and the Oregon fund were down slightly, 0.07%, 0.42% and 1.7%, respectively.

Of the corporate funds, Martin Marietta's fund fell 2.17%, net of contributions and benefit payments, despite its reducing its already low equity position and increasing an already high cash allocation.

BP America's fund, however, which as mentioned kept a high equity position, had a 4.15% net increase in value during the same period. ■

total employee benefit assets of The International Bank for Reconstruction and Development (The World Bank) increased 3.3% to $2.687 billion from $2.6 billion a year earlier. All assets are defined benefit.

According to the 1989 Money Market Directory, the fund's managers are: Bridgewater; Delphi; Fischer, Francis, Trees & Watts; Geewax, Terker; JMB; Lincoln Capital; Loomis, Sayles; NCNB; Quest; RCB Trust; and State Street Bank.

The master trustee is State Street rank; the global custodian is Northern Trust; the investment consultant is Strategic Investment Partners.

Key personnel overseeing the investment management of the fund are Nestor V. Santiago, pension plan administrator, and Kelda J. Caldwell, financial analyst.

Xerox Corp.

	($ millions)
Total assets	2,724
Defined contribution/profit-sharing	2,157
Thrift or savings/401(k)	567
Employer contributions	100
Benefit payments	na
Defined contribution asset mix	
Stocks	59%
Bonds	10%
Cash equivalents	20%
Real estate equity	11%

STAMFORD, Conn. — As of Sept. 30, Xerox Corp.'s total employee benefit assets decreased 0.4% to $2.724 billion from $2.734 billion a year earlier. All assets are defined contribution.

Equity managers: Domestic — Ardsley Partners; Charter Oak; Equitable; First Pacific; Geewax, Terker; GeoCapital; Hellman, Jordan; MacKay-Shields; Management Asset; Pilgrim Baxter Greig; Quest; RCM; Schafer; Donald Smith; Solomon; Sound Shore; Steinberg Asset; Trinity; TCW; Tweedy, Browne; and Westwood.

International — Bleichroeder; Capital Guardian; Fidelity International; and Grantham, Mayo, Van Otterloo.

Fixed-income managers: Huff; Jennison; RCM; and Solomon.

Real estate managers: JMB; RREEF; and TCW.

Oil and gas manager: TCW.

Private placements manager: TCW.

Venture capital manager: Horsley Keogh.

The master trustee and global custodian is State Street Bank; the investment consultants are Frank Russell and Collins Associates.

Key personnel overseeing the investment management of the fund are Robert R. Evans, assistant treasurer-employee benefit assets; Jainel M. Buell, manager-trust investments; Gerald J. Paolini, manager-trust investment strategy; and Toni S. Hanna, trust investment analyst.

Top 200 funds with defined benefit assets invested in:

Dedicated/Immunized bonds

Fund	Assets $ millions
Teamsters, Western	3,940
Minnesota State Board	3,608
Ameritech	3,100
Southwestern Bell	2,066
General Electric	2,000
Navistar	1,772
UMWA	1,700
Aluminum Co. of America	1,253
Caterpillar	1,000
American Airlines	750
Tennessee Valley Authority	518
Armco	436
Inland Steel Industrie	428
Nevada Public Employees	427
Deere	425
Hercules	368
Mobil Oil	359
Unisys	345
Raytheon	330
Phillips Petroleum	225
Prudential Insurance	211
Southern California UFCW	207
Ohio State Teachers	205
Milwaukee City Employes	168
Pennsylvania Public School	164
Boilermaker Blacksmith	113
Teamsters, Central States	75
Eli Lilly	74
Bakery & Confectionery	70
United Technologies	60
Baltimore City	48
Total	26,445

LBOs still hot

Continued from page 13

said had not changed from 1987.

The question of whether it's a good idea for corporate funds to invest in a process that could eventually turn on the fund's sponsor also is dismissed quickly by Mr. Damsma.

"It's like asking us why we sold that stock, since it hurt the share price. The only difference with an LBO is that it speeds up the process," he said.

John Myers, executive vice president of General Electric Investment Co., Stamford, Conn., also said he thinks leveraged buy-outs are a benefit to the general economy. "Investing in these transactions creates value and can only be a good," he said. "They increase competition in the marketplace. It's a question of what's for the greater good. I think what's important is that the U.S. have the most competitive industrial base in the world. That would, among other things, result in a bigger U.S. job base."

Although Mr. Myers acknowledged the $21.1 billion GE defined benefit fund invested with Forstmann Little & Co. and Warburg Pincus & Co., both in New York, he declined to specify the amount invested. In addition, he said those investments "could be interpreted as LBOs, but are more like a preferred stock position."

The GE pension fund also had $1.4 billion in private placement investments as of Sept. 30.

Among the funds that increased their investments in leveraged buy-outs, and the amount of the increase, were: State of Wisconsin Investment Board, $246 million; Oregon Public Employes Retirement System, $238 million; New York State & Local Retirement Systems, $205 million; American Telephone & Telegraph Co., $150 million; GTE Corp., $63 million; and United Technologies Corp., $46 million.

Funds that reported leveraged buy-out investments for the first time, and the amount they invested, include the Public Employees Retirement Association of Colorado, $45 million; Chevron Corp., $9 million; and Phillips Petroleum Co., $5 million.

Among the 14 funds reporting increases in private placements, and the amount of the increase, were: the State of Wisconsin Investment Board, $207 million; Alabama Retirement Systems, $18 million; and E.I. du Pont de Nemours Co. Inc., $13 million.

Among the 14 funds that made their first investments in private placements, and the amount invested as of Sept. 30, were: Kansas Public Employees' Retirement System, $353 million; Washington State Investment Board, $236 million; NYNEX Corp., $150 million; and Tenneco Inc., $10 million.

Those funds reporting decreases in private placements as of Sept. 30, and the amount of the reduction, include: State of Michigan Employees, $250 million; Florida State Board of Administration, $208 million; Los Angeles County Employees' Retirement System, $73 million; and California State Teachers' Retirement System, $7 million. ■

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PROPERTY

Real estate assets up 26%

Public, utility plans lead

By Steve Hemmerick

Top 200

Large public funds and regulated utilities accounted for $5.54 billion or 76% of the total increase in real estate equity investments among the Top 200 pension funds for the year ended Sept. 30, a *Pensions & Investment Age* survey shows.

Large corporate and other defined benefit funds increased their equity real estate holdings by a smaller $1.74 billion during the same one-year period.

P&I Age's annual survey of the Top 200 pension funds found 128 of those funds held a total of $35.324 billion in equity real estate, a total increase of $7.285 billion, or almost 26%, from the $28.039 billion reported as of Sept. 30, 1987.

The actual increase in equity real estate investments among the Top 200 funds may have been larger. The 1988 data include only defined benefit assets, while the previous year's totals also included defined contribution assets.

As a result, some large defined contribution plans with investments in equity real estate — such as the $1.417 billion Bechtel Power Corp. fund, San Francisco; the $67.141 billion Teachers Insurance and Annuity Association — College Retirement Equities Fund, New York, and the $2.157 billion Xerox Corp. fund, Stamford, Conn. — were left out. Those funds reported total equity real estate investments of $1.895 billion as of Sept. 30, 1987.

In addition, some funds were deleted from the rankings of the Top 200, thus eliminating their real estate equity assets from the list, although the fund itself may still maintain those investments.

Of the 128 funds with equity real estate assets as of Sept. 30, the average investment was 5.1% of total defined benefit assets. For the previous year, 134 of the Top 200 funds invested an average of 4.8%.

The survey also found that $18.818 billion was invested in mortgages by the Top 200 funds.

Only 61 of the Top 200 funds invested at all in mortgages, and the average investment was 4% of assets.

A key reason for the decline in mortgage investments may again be because this year's list doesn't include defined contribution plans.

TIAA-CREF, for example, held $16 billion in mortgages as of Sept. 30. With the addition of the TIAA-CREF portfolio, total investment in mortgages by the Top 200 funds would have increased 12%.

Some individual funds held a substantially higher percentage of their assets in equity real estate than the average.

American Telephone & Telegraph Co., New York, which again this year had the largest total dollar investment in equity real estate at $3.7 billion, had slightly more than 10% of its assets in that class.

While public funds and regulated utilities continued to do most of the investing in equity real estate, when compared with the overall plan assets of these groups, the percentage increases were modest, said Alan Emkin, president of Pension Consulting Alliance, Glendale, Calif.

He described the increases in real estate equity by corporate defined benefit plans as "slight."

The emphasis by public funds to increase their investment in equity real estate partly reflects the fact large public funds have been using cash flow to begin investing in equity real estate, and they did so later than their corporate counterparts, Mr. Emkin said.

Because of the lag, many public funds still have not reached their target goals for real estate investment.

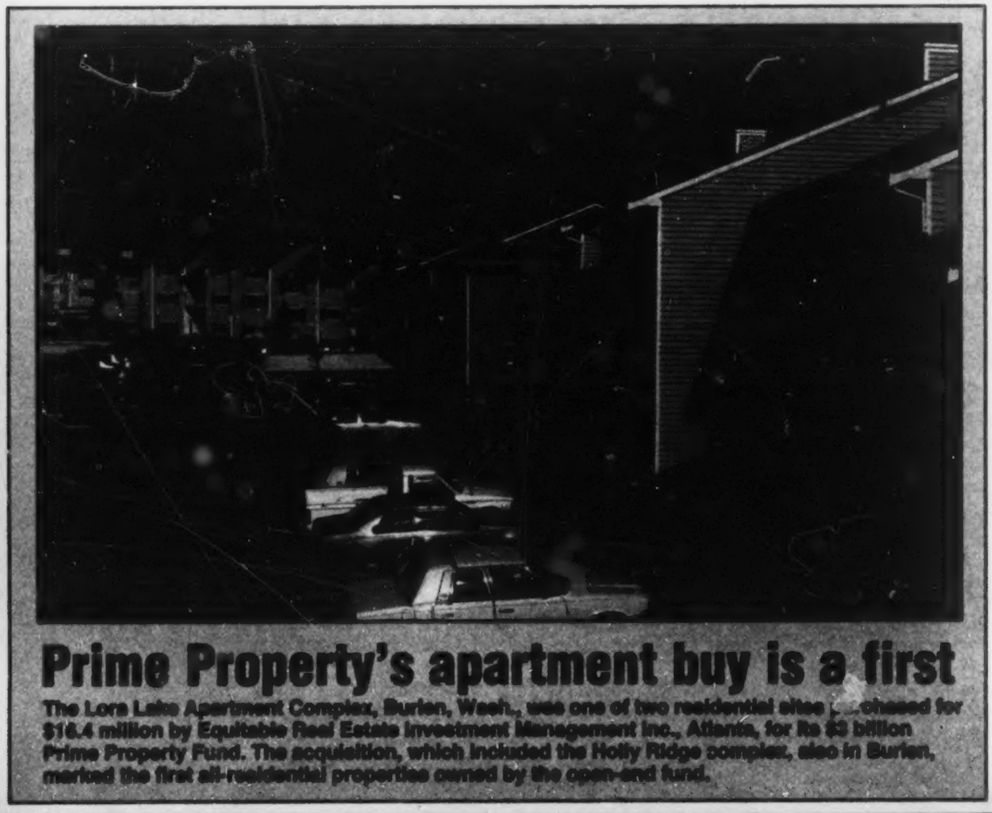
"What I think you are seeing is their growing sophistication and familiarity with the asset class, along with the extraordinary large cash flows of public funds," Mr. Emkin said.

"They couldn't have made those investments five years ago be-

Continued on page 71

Top 200 funds with defined benefit assets invested in equity real estate

Fund	Assets $ millions	Fund	Assets $ millions	Fund	Assets $ millions
AT&T	3,678	Utah State Retirement	215	BP America	71
California Public Employees	2,782	Kansas Public Employees	206	Travelers Insurance	70
General Electric	1,900	Caterpillar	203	Goodyear Tire & Rubber	65
Ohio State Teachers	1,835	USX	200	E.I. du Pont de Nemours	64
Washington State Board	958	Textron	196	Detroit Systems	62
Connecticut Trust Funds	912	Maryland State	183	Eli Lilly	59
California State Teachers	855	North Carolina Systems	182	Chicago Municipal	56
United Nations Joint Staff	832	Sun	181	Los Angeles Fire & Police	53
NYNEX	809	GTE	176	Southern California Edison	52
Pennsylvania Public School	675	Los Angeles County	171	United Methodist Church	50
Southwestern Bell	660	Nevada Public Employees	167	K mart	49
Ameritech	650	Digital Equipment	154	Baltimore City	46
Illinois Teachers	650	Minnesota Mining & Mfg.	152	Mass. Teachers & Employees	45
Teamsters, Western	620	Unisys	152	IAM National Pension Fund	44
Florida State Board	577	Atlantic Richfield	149	Phillips Petroleum	42
Pennsylvania State Employes	558	World Bank	146	Kentucky Teachers	41
Westinghouse Electric	555	UAL	140	Sears, Roebuck	40
Ford Motor	500	Nat'l Electrical Contractors/IBEW	137	Delta Air Lines	35
Prudential Insurance	477	Int'l Paper	135	Louisiana State	34
Minnesota State Board	465	RJR Nabisco	127	New York Life	33
State of Michigan	448	San Francisco Employees	125	Milwaukee City Employes	31
Illinois State Universities	406	Hawaii State Employees	121	Deere	30
Eastman Kodak	400	Eastern Air Lines	120	Southern California UFCW	28
Shell Oil	400	Hercules	120	Maine State Retirement	23
Oregon Public Employes	375	Ohio Police & Firemen	120	Southern Baptist Convention	23
United Technologies	375	UMWA	117	New York State Teachers	21
Wisconsin Investment Board	373	ITT	108	Trans World Air Lines	19
Exxon	370	Inland Steel Industries	106	Union Carbide	19
Ohio Public Employees	368	Amoco	105	Int'l Operating Engineers	18
Colorado Public Employees	363	Aetna Life & Casualty	99	American Electric Power	17
New York State & Local	347	Owens-Illinois	98	Raytheon	15
Allied-Signal	338	Army & Air Force Exchange	97	Episcopal Church	14
Illinois Municipal	295	Grumman	95	Teamsters, Central States	14
Virginia Supplemental	287	Kentucky Retirement	91	Tennessee Valley Authority	11
Metropolitan Life	273	NCR	91	American Airlines	10
Ohio School Employees	269	CIGNA	90	United Parcel Service	10
Monsanto	260	Philip Morris	90	Armco	9
Illinois State Board	254	Chrysler	88	State of Delaware	9
Honeywell	244	Philadelphia Municipal	85	Alabama Systems	8
Boilermaker Blacksmith	241	FPL Group	82	Indiana Public Employees	4
Chevron	231	S. New England Telephone	79	Georgia Employees	2
Alaska Retirement Systems	231	Aluminum Co. of America	78	Georgia Teachers	2
Pacific Gas & Electric	226	Texas Instruments	78	Total	35,324



Prime Property's apartment buy is a first

The Lora Lake Apartment Complex, Burien, Wash., was one of two residential sites purchased for $16.4 million by Equitable Real Estate Investment Management Inc., Atlanta, for its $3 billion Prime Property Fund. The acquisition, which included the Holly Ridge complex, also in Burien, marked the first all-residential properties owned by the open-end fund.

GM fund to finance mortgages for Crow

By Andrew Reinbach

NEW YORK — A mortgage-financing plan developed by officials of the $32.5 billion General Motors Corp. pension fund could result in GM's pension fund providing about 5% of the annual financing needs of Dallas developer Trammell Crow Co.

The two-tier arrangement calls for the GM fund to provide about $112 million in first mortgages, although the program involves both first and second mortgages, in return for Crow's promise of delivering a standardized financial structure from the construction lender. The construction lender, in turn, gets a guaranteed return on its investment, while Crow gets reliable financing for its projects.

The first mortgage is a 10-year, interest-only "bullet" loan, payable monthly; the interest rate floats above 10-year Treasury notes. The mortgage has a minimum payment of 9.25% per year and covers 60% of the anticipated development cost.

The second mortgage pays a minimum of 5% per year, but earns 9.5%; the balance accrues to a prepayable "balloon."

Also included in the second mortgage note are two participation features: One gives GM 50% of the projects' gross revenues above a benchmark that was not revealed in the exemption request; the other gives GM additional interest equal to a portion of the projects' income streams from rent increases.

The mortgages cover four projects: Chase at Bethesda, a $46.3 million project developed by Crow, Terwillinger & Micheaux Inc. in Bethesda, Md.; Sherwood Forest, a $27.5 million project developed by Crow, Terwillinger & Speicher Inc. in Coral Springs, Fla.; Vinings II, a $17.5 million project developed by the same group in Boca Raton, Fla.; and Wood Green, a $23.35 million project developed by Crow, Terwillinger Partners Inc. in Atlanta.

Crow, Terwillinger is the overall corporate umbrella under

Continued on page 71

WRAP-UP

Sale/leaseback set

ROCKVILLE, Md. — Marriott Corp. is selling its 800,000-square-foot corporate headquarters here to Edward J. Minskoff Equities, a New York-based real estate developer, for an estimated $175 million.

Marriott will lease the old building from Minskoff until a new headquarters building in nearby Germantown, Md., is completed.

Neither party would reveal the size of the transaction, but a Marriott official confirmed $175 million is "in the ballpark." Comparable properties in the area are selling for $175 per square foot to $250 per square foot, or for between $140 million and $200 million, area real estate professionals say. The building was appraised for $45.4 million by Montgomery County in December 1987.

GTE names new exec

STAMFORD, Conn. — Glenn "Sam" Hunter Jr. joined GTE Corp. in November as vice president-real estate, replacing Larry B. Kimbler, who has left to start his own firm, although he is working on a GTE project until year end.

Mr. Hunter formerly was responsible for corporate real estate activities at Hughes Aircraft Co., El Segundo, Calif., a post he had held for six years. Previously, he had been a broker for New York-based Cushman & Wakefield, Inc. Ferris Trimble has been named acting manager-real estate at Hughes.

Mr. Kimbler left GTE to open Kimbler/Openshaw & Associates, a real estate development, investment and consulting firm.

Partnership approved

DALLAS — The CORE Group Trust, a real estate partnership between the Public Employees Retirement System of Nevada and the City & County of San Francisco Employees Retirement System, has been given the green light to begin investing.

The investment plan was completed and signed in November by Laura Wallace, investment officer for the $2.7 billion Nevada fund, and DeWitt Bowman, chief investment officer of the $3.6 billion San Francisco fund, who will soon become investment manager of the $46 billion California Public Employees' Retirement System.

Lehndorff & Babson Real Estate Counsel, Dallas, is trustee and has discretionary authority to invest according to the plan's guidelines.

The plan calls for investment in "premier" large office buildings or retail properties, said Ms. Wallace. Expected return, adjusted for inflation, will be 4.5%, she said.

Mr. Bowman said the investments will be in the minimum range of $30 million to $40 million and have geographic guidelines he would not specify.

Each fund contributed $100 million. CORE is looking to add three partners — two by the end of the year and one next year, Ms. Wallace said. Each partner would contribute $100 million, she said, with a target of a $500 million fund.

She said the partnership allows the $2.7 billion Nevada fund to have access to a real estate m it otherwise wouldn't be ab touch.

Fund acquires mal

FOREST PARK, Ill. — The est Park Mall, a 400,000-squ foot enclosed shopping cent suburban Chicago, has bee quired by Bennett & Kahnw Realty Advisors on behalf pension client.

The mall, which is anchor Venture, Courtesy Home C T.J. Maxx and Perry Drugs sold by the Lexington Co., acquired the malls when it b the assets of the Harry Cha Co. about 18 months ago.

Bennett & Kahnweiler pla renovate the center, impro and updating the interior an terior.

Appraisal errors to

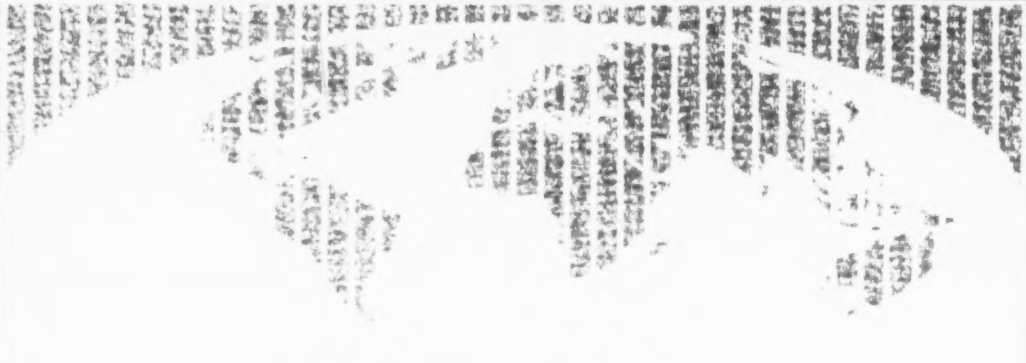
SCOTTSDALE, Ariz. — praisal reports from 500 le contain an average of 2.4 e per report, a survey by the tional Association of Review praisers and Mortgage derwriters here found.

The survey covered both mercial and residential mort generated by banks, savings loans and mortgage compani

Top 200 funds with
defined benefit assets invested

Mortgages

Fund	
California Public Employees	2
New York State & Local	2
New York State Teachers	2
Texas Teachers	1
Alabama Systems	1
State of Michigan	1
Ohio State Teachers	1
California State Teachers	
Colorado Public Employees	
Pennsylvania State Employes	
Detroit Systems	
Oregon Public Employes	
General Electric	
Hawaii State Employees	
Arizona State Retirement	
Pennsylvania Public School	
Alaska Retirement Systems	
Washington State Board	
Int'l Operating Engineers	
Nevada Public Employees	
Bakery & Confectionery	
Connecticut Trust Funds	
Los Angeles County	
Wisconsin Investment Board	
Kentucky Teachers	
Nat'l Electrical Contractors/IBEW	
Union Carbide	
New York City	
Owens-Illinois	
Ameritech	
Teamsters, Western	
USX	
Virginia Supplemental	
Arkansas Teachers	
Sears, Roebuck	
Chicago Municipal	
Ohio School Employees	
Goodyear Tire & Rubber	
Monsanto	
Utah State	
Minnesota Mining & Mfg.	
Ford Motor	
Sun	
Travelers Insurance	
Aetna Life & Casualty	
Southern Baptist Convention	
Georgia Teachers	
Baltimore City	
San Francisco Employees	
Atlantic Richfield	
Ohio Police & Firemen	
Tenneco	
Shell Oil	
Philadelphia Municipal	
Georgia Employees	
Chevron	
Chrysler	
Southern California UFCW	
International Paper	
Tennessee Consolidated	
United Methodist Church	
Total	18



Metropolitan Life Insurance Company,
Carlson Real Estate Company, and
Carter & Associates

have sold

NCNB Plaza
Charlotte, North Carolina

consisting of

800,000 square feet of office space, 70,000 square feet of retail space,
the 368-room Radisson Plaza Hotel, and 1,124 parking spaces

The undersigned acted as financial advisor to
and exclusive agent for the sellers

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Risky proposition

Study challenges stock expectations

By Barry B. Burr

Stocks are becoming less risky and, consequently, offering a lower return, according to a new analysis that challenges the return expectations established by the original Ibbotson and Sinquefield study

Lawrence R Zielinski, managing director at Investment Management Controls, Norwalk, Conn — a consulting organization and division of Janney Montgomery Scott Inc , Philadelphia — based the conclusion on an analysis of capital market returns in the 25-year period ended Dec 31, 1987 An update to include 1988 returns would not alter his conclusion, he said

But an executive at Ibbotson Associates Inc., Chicago, which updates the Ibbotson-Sinquefield study, questioned a conclusion based on such a relatively short period

"If you believe that the market got less risky, what happened in 1987?" asked Laurence B Siegel, Ibbotson Associates managing director, referring to the October market crash in that year

In fact, he said, "1987 was the most unusual year since the 1930s. It might mean you should pay more attention to the 1920s and 1930s."

According to Mr Zielinski, in the 25 years through 1987, the real, or inflation-adjusted, return on stocks, as represented by the Standard & Poor's 500 Stock Index, was a compound annual 3.48% Mr Zielinski uses the return on Treasury bills as a proxy for inflation.

He contrasted the more recent returns to those of the original study of capital market returns by Roger G Ibbotson, now a professor of finance at Yale University's School of Management, New Haven, Conn., and Rex A Sinquefield, now co-chairman and chief investment officer, Dimensional Fund Advisors Inc., Santa Monica, Calif.

In the latter study, from 1926 through 1974, stocks returned a real 6.1%. Including subsequent years doesn't change the conclusion; stocks from 1926 through 1987 returned a real 6.2%.

For the same periods, stock-market risk also has diminished, Mr Zielinski added.

In the period of the Ibbotson-Sinquefield study, the standard deviation was 22.5, he said. By contrast, in the more recent 25-year period, the standard deviation was 15.4, or nearly one-third less.

"Someone could make the argument that stocks have become a less risky asset class," Mr. Zielinski said. "Stocks offer less return and have a lower standard deviation."

"I'd attribute that to include the institutionalization of the market," he added. "It's a little more efficient."

"In asset planning, it might be wise to temper one's exuberance of returns one can expect to achieve," he said. "The returns of the 1980s everyone recognizes as historically high." Rather than temper expectations with the historical Ibbotson-Sinquefield average, Mr. Zielinski suggests investors give more weight to returns in the recent 25 years.

For support, he cited the evolution of changing economic fundamentals since the early 1960s. These trends will continue to influence the 1990s and beyond, he said.

Among them, he noted the increasingly competitive world economy and the fleeting domi-

Continued on page 74

Changing risk and return

	Returns				Standard deviations	
	Real		Nominal			
	1926-1974	1963-1987	1926-1974	1963-1987	1926-1974	1963-1987
Stocks	6.1%	3.5%	8.5%	9.3%	22.5%	15.4%
Treasury bonds	1	0.6	3.2	6.2	5.4	10.4
Treasury bills	0.1	1.2	2.2	6.9	2.1	0.8
Inflation	NA	NA	2.[illegible]	5.7	4.8	1.2

Source: Investment Management Controls, Norwalk, Conn

FEATURE

Yield curves offer a look at world

By Ray Dalio

In light of all the attention that has been given to the yield curve as an economic indicator, it's surprising little has been said about yield curves abroad and their implications for global investing

Just as the slope of the yield curve in the United States is an excellent indicator of the tightness of domestic monetary policy, yield curves of other major industrial democracies are wonderful indicators of their monetary policies

Looked at in isolation, they are interesting leading indicators of each country's economic growth and inflation rates Looked at together, they are a virtual oracle for understanding the mystery of global flows

In managing our global bond and currency accounts, we pay an awful lot of attention to what we call "the world yield curve" and each country's yield curve in relation to it (The world yield curve, in this case, represents the weighted average yield curve of the so-called G-5 countries — the United States, which accounts for 42%; Japan, 21%; West Germany, 15%; and the United Kingdom and France, 11% each.)

The yield curves of the United Kingdom and France are inverted, meaning short-term interest rates are higher than long-term rates. Japan and West Germany have positive sloping curves, meaning rates are behaving as expected Long-term rates are higher than short-term rates In the United States, the yield curve, by my measure, is close to inverting (For a view that the U.S yield curve already has inverted, and the economic implications, see Portfolio Management, *Pensions & Investment Age*, Jan. 9)

Among other major countries, the yield curve of Australia is inverted, while Canada's, much like that of the United States, is flat

I've noticed that, just as shifts in the U.S yield curve have reliably signaled changes in the U.S economy's growth rate with about a one-year lead time, so changes in the world yield curve have preceded changes in global economic activity by about a year

I've also noticed shifts in one country's yield curve in relation to the world yield curve reflect shifts in relative monetary policies that are excellent measures of leading indicators of currency changes Because together they are excellent leading indicators of the direction of world economic growth and the direction of currencies, they are practically all one needs to successfully make duration and currency shifts in a global bond portfolio

Before describing what they are now doing and showing, it is important to establish the setting G-5 central bankers agree on two things

- With world rates of capacity utilization and unemployment where they are, world economic growth will have to slow to around 2.5% on average for the expansion to continue, and
- To reduce the dangerously large current account imbalances, countries with surpluses (e.g., Japan and West Germany) will have to grow faster than average (i.e., 3% to 3.5%), while countries with deficits (e.g., the United

Continued on page 74

Ray Dalio is president of Bridgewater Associates Inc., Wilton, Conn.

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MARKET BEAT

First Kentucky Trust Co.:

No recession ghosts

By Curtis Vosti

It's time for interest rates to drop, according to Stan A. Rourke, senior vice president and senior investment officer of the First Kentucky Trust Co., Louisville.

Mr. Rourke thinks interest rates will be the key to market and economy performance in 1989, and he thinks the Federal Reserve Board will ease up in the first or second quarter after two years of pressure.

"You can begin to see the light at the end of the tunnel. If interest rates come down to 7% or 7½%, that would be marvelous," he said.

"Neither (Fed Chairman Alan) Greenspan nor (President-elect George) Bush wants a recession, and with all the debt around, the economy can't afford one," he said.

Inflation probably will have structural increases, Mr. Rourke said, because of the changes in the economic structure in the past decade. But he added, "A little bit of inflation is not going to kill us."

The trade deficit should be kept in check by a Congress and a president who will be watching it closely, Mr. Rourke said. "The key is not to let it grow," he said.

First Kentucky, along with its sister firm, First Kentucky Co., manages about $2.5 billion in tax-exempt assets for institutions other than itself, according to Mr. Rourke.

The firm looks at 7,000 stocks, and chooses to buy and sell after running them through various screens, looking for value based in part on yields, fundamentals and a historical look at the individual company.

"That doesn't mean that we don't want growth," he said. The firm will buy a growth company, such as **Gannett Co. Inc.**, he said, in special situations even though it might not come out of its screens.

The firm looks at the historical activity of a stock to make buy decisions at the low end of the range of the stock's historical valuations, he said. Sell decisions are typically made when the stock reaches the high point of that valuation.

"Cheap is better than exciting, momentum or whatever," he said. "Selling is a harder decision to make than buying."

In 1988 the company's screens indicated technology stocks were a cheap buy, and they still are attractive, Mr. Rourke said. "Steels, chemicals and some papers have been interesting," he said.

"We don't go out and say that we have to have 22% of something," he said, but if the company's screens indicate it, the firm will hold a market-weighted portfolio of a specific area.

An example of that in 1988 was consumer stocks, "even though the story was that they had been played out," Mr. Rourke said.

Buys of the past year include drug companies like **Pfizer Inc.**, **Bristol-Myers Co.** and **Abbott Laboratories**, he said. Others include **Hewlett-Packard Co.**, **General Motors Corp.**, **Fleetwood Enterprises Inc.** and **Fort Howard Corp.**

Stocks the company has sold include **Waste Management Inc.**, **Browning-Ferris Industries Inc.**, **American Telephone & Telegraph Co.**, **Bell Atlantic Corp.**, **Digital Equipment Corp.** and **Apollo Computer Inc.**

The company decides to buy after its systems alert the seven-member investment committee, chaired by Mr. Rourke, that the stock has reached the high range of historic performance.

"You have a system that makes you look hard at things if they reach extreme levels," he said. "It takes away the emotions."

The firm typically will hold a stock for at least six months. It may hold a stock longer if its screens indicate it isn't "wildly overvalued," Mr. Rourke said.

Stocks the firm has bought and probably will hold for a while include Mr. Rourke's favorite, **Berkshire Hathaway Inc.** "It's one of the better growth companies based on management abilities," he said.

Others to be held include **Bristol-Myers** — "It's almost unbelievable how cheap it is" — Abbott Labs and GM.

In the five years ended Sept. 30, the firm had a compound annual return of 12.5%, he said. For the same period, the Standard and Poor's 500 Stock Index returned 14.7%.

For the 10 years ended Sept. 30, First Kentucky returned 14.6%, according to Mr. Rourke. For the same period, the S&P 500 returned 15.4%.

He said for year end 1988, the firm returned 8.1%. The S&P 500 returned 16.56%.

"It wasn't a great year for us," Mr. Rourke said, "We didn't really get a lot of takeovers." He said Fort Howard was the only one. It's hard to take full advantage of the takeover frenzy, he said.

"You can't sit down and rationalize that this is going to be a takeover year (of a particular stock)," he said. "You don't have any system at all that way."

Stan A. Rourke thinks the Federal Reserve will ease interest rate pressure.

Double plans are popular

DETROIT — A survey of 177 companies in the Great Lakes region indicates that since 1978, the number of companies offering both a defined benefit and defined contribution pension plan has doubled.

The survey, done by the Detroit office of Coopers & Lybrand, found that 30% of the respondents offered a defined contribution plan only; 22% offered only a defined benefit plan; and 48% offered both.

"One could deduce that the new defined contribution plans are supplementing rather than replacing defined benefit plans," the survey states. "Much of what is written today could indicate a trend away from offering defined benefit plans. Our data do not indicate the number of defined benefit plans are shrinking in number."

For those companies offering both plans, the replacement ratio — the percentage of final pay received by the retiree — is higher than for those that offer just one plan, the survey indicated.

In fact, each plan is competitive with the benefits offered by those companies which feature just one plan.

According to the survey, the average defined benefit plan offered two to four times the replacement amount when compared to the average defined contribution plan. More than 80% of the defined benefit plans calculate benefits using the average compensation during the highest five consecutive years of service, according to the survey.

Because the survey did not include contributions from profits in the calculation, the replacement value of defined contribution plans may be understated, the report states.

"Even allowing for this possible understatement, we believe that those employers offering defined benefit plans as their exclusive retirement vehicle replace a higher level of income at all years of service and pay levels than employers using only a defined contribution plan," the commentary said.

The survey also indicated more than half of the companies do not currently pay for retiree medical benefits.

Risky challenge

Continued from page 73

nance of the U.S. economy — and the emergence of Japan and Germany, among others, as formidable competitors.

Mr. Siegel, however, said looking at a shorter time frame than the full historical period might lead to a deceptive conclusion.

"There is no statistical significance to picking a 25-year period," Mr. Siegel said. "There is no evidence the risk premium between stocks and bills has changed."

Taking 20-year periods, which "seems like a long time also," Mr. Siegel said from 1962 to 1981, the risk premium, or rate of return on stocks adjusted for the return on Treasury bills, was negative — "because you are starting at the top and ending at the bottom."

But taking 1966 to 1985 gives the reverse: a very high risk premium.

"That warns you not to look at 20-, 25-year periods," he added.

Mr. Siegel noted the 21.5% fall in the S&P 500 in October 1987 was the fifth monthly period the index had dropped 20% or more. Three of the others occurred in the 1930s, he noted; one occurred in 1940.

Someone looking at the latest 25-year period might not have believed a [illegible] of more than 20% possible [illegible] 1987, he added.

A worldy view

Continued from page 73

States and United Kingdom) will have to grow slower (i.e., 1.5% to 2%).

Growth in the industrialized world is running around 3.5% — about 1 percentage point above target — and growth in the major current account deficit countries is running just about as fast as in the surplus countries.

Therefore, for central bankers to steer toward their target, it made sense that there would have to be a global tightening (causing our world yield curve to flatten, and a greater tightening by the deficit countries than by the surplus ones, causing the formers' yield curves flatten or invert more.

Sure enough, that is what we have seen during the past few months.

The world yield curve, defined as the difference between three-month rates and 30-year rates, flattened in the past several months. The world yield curve is now at its flattest slope since 1980 and slightly flatter than just prior to the October 1987 global stock market crashes.

Given the approximately one-year lead time between shifts in yield curves and effects on economies, we expect world economic growth, particularly growth in deficit countries, to slow significantly in about a year. That implies bonds, particularly in deficit countries, will be good investments in late 1989 or early 1990.

While the tightening is occurring at the same time as growth is strong, short maturities or cash should be favored over bonds, particularly cash in those countries leading the tightening — the United States, the United Kingdom, Canada and Australia.

While it is impossible to say for sure what sort of yield shifts we can expect ahead, the past could give some clues.

As mentioned, it normally takes about a year for changes in yield curve slopes to "bite." During these periods of faster than desirable growth, central bankers traditionally have tightened further, inverting the yield curves even more and setting the economy up for a deeper than normal contraction. This implies the near-term downside risks in global bond markets could be significant, but their long-term upside potential is even greater than the yield curves imply.

In watching these indicators, it is important to keep in mind the world's major bond markets can be divided into two types — those of the current account surplus countries and those of deficit countries.

The U.S. bond market is in the latter category, competing with the bond markets of other deficit countries (such as the United Kingdom, Canada and Australia) for the money being invested by the big surplus countries (such as Japan and West Germany).

To anticipate how the U.S. bond market and U.S. dollar will behave, changes in credit market conditions of deficit countries are most relevant.

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December, 1988

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13 funds enter foreign arena

Top 200 funds with defined benefit assets invested overseas

($ millions)

Fund	Total	Equities	Fixed income
United Nations Joint Staff*	3,544	1,703	1,365
General Electric	1,900	1,200	700
AT&T	1,613	1,613	
GTE	1,140	780	360
E.I. du Pont de Nemours	1,046	297	749
Colorado Public Employees	895	895	
Los Angeles County*	884	806	
Ameritech	800	700	100
Oregon Public Employes	800	800	
Ford Motor	700	500	200
Prudential Insurance	645	365	280
World Bank	626	319	307
United Technologies	600	400	200
Illinois Teachers	550	500	50
San Francisco Employees	535	232	303
Tennessee Consolidated	518	373	145
Hawaii State Employees	492	492	
NYNEX	453	453	
Arizona State	434	434	
Caterpillar	408	408	
Illinois Municipal	376	272	104
Aluminum Co. of America	370	345	25
New York State Teachers	350	350	
Exxon	320	320	
Owens-Illinois	320	267	53
Kansas Public Employees*	295	219	
ITT	274	183	91
Connecticut Trust Funds	272	272	
Illinois State Universities*	272	212	
North Carolina Systems	267	162	105
Allied-Signal	245	245	
Southwestern Bell	244	244	
Amoco	243	243	
Alaska Retirement Systems	230	230	
Philip Morris	220	220	
Pacific Gas & Electric	219	219	
Monsanto	210	210	
S. New England Telephone	202	202	
Delta Air Lines	200	200	
Sears, Roebuck	192	192	
Army & Air Force Exchange	178	108	70
Hercules	173	173	
S. California Edison	161	73	88
American Airlines	160	130	30
Sun	157	141	16
BP America	152	152	
Wisconsin Investment Board	150	75	75
USX	150	150	
Honeywell	142	84	58
Unisys	141	141	
Travelers Insurance	139	116	23
Inland Steel Industries	125	125	
Minnesota Mining & Mfg.	121	101	20
Kraft	120	120	
Nat'l Rural Electric Co-op	99	99	
Nevada Public Employees*	96		
Chevron	90	44	46
Aetna Life & Casualty	87	87	
Pennsylvania State Employes	76	76	
State of Delaware	74	29	45
Chicago Municipal	71	71	
Eli Lilly	70	70	
Armco*	68	42	
Mass. Teachers & Employees	60	30	30
Detroit Systems*	60	16	41
International Paper	60	60	
Atlantic Richfield	57		57
FPL Group	56	56	
Deere	50	50	
Shell Oil	50	50	
Utah State	50	50	
NCR	49	49	
CIGNA	47	47	
Commonwealth Edison	41	26	15
Episcopal Church	40	40	
American Stores	39	39	
Illinois State Board	38	38	
Digital Equipment	36	36	
Chrysler	31	31	
Bakery & Confectionery	23	23	
Bethlehem Steel	23	23	
Mobil Oil	20	20	
Motorola	20	20	
Trans World Airlines	17		17
Goodyear Tire & Rubber	9		9
Hospital & Healthcare Workers	9		9
Louisiana State	1	1	
Total	**27,590**	**20,969**	**5,786**

* Includes other overseas assets

By Curtis Vosti

Overseas investing received a shot in the arm from public funds in 1988, as six public funds from among the nation's Top 200 pension funds entered the international arena for the first time, investing a total of $2.669 billion.

Overall, 13 pension plans in the Top 200 invested $2.85 billion in 1988 in their first investments internationally.

Among those making the initial foray into international, and the amount they invested, were: the Public Employees Retirement Association of Colorado, $895 million; the Los Angeles County Employees' Retirement System, $884 million; and the New York State Teachers' Retirement System, $350 million. Total international investments of defined benefit plans among the Top 200 employee benefit funds stood at $27.59 billion as of Sept. 30.

Top 200

"The public funds — that's where we are seeing some interest," said Philip Swan, assistant vice president for Capital Guardian Trust Co., Los Angeles. "It's a growth area. The corporations have been there awhile."

Capital Guardian was the most frequently mentioned manager of international assets among the Top 200 funds; the firm had 14 funds as clients.

The other managers used the most by funds in the top 200 included, in order, State Street Bank and Trust, Boston; J.P. Morgan Investment Management Inc., London; Morgan Grenfell Investment Services Ltd., London; and Baring International Investment, London.

Mr. Swan said Capital Guardian's popularity may be due to its bottom-up approach uses several managers for each portfolio to lessen the volatility of the investment.

In 1988, international investing by pension funds did not experience the usual "clawback phenomenon," according to R. Duncan Fordyce, senior vice president for InterSec Research Corp., Stamford, Conn. "In general, we are seeing a bit of an increase in expenditures to Japan and a cutback in United Kingdom investing modestly in favor of expenditures in Continental Europe," he said.

He said the "clawbacks" — where pension funds, after a period of above-average performance, take profits in order to return to previous allocation targets — "tapered off dramatically" in the second and third quarters.

"We saw very little clawbacks, relatively speaking," Mr. Fordyce said. "The plans are more willing to leave their chips on the table."

One fund which did reduce its international investments to return to previous allocations was GTE Service Corp., Stamford, Conn. In 1987, GTE reported $1.81 billion invested internationally. In 1988, the firm lowered those investments to $1.14 billion, a drop of 37%.

Bob Hunt, senior investment manager for GTE, said that the drop does not mean the firm is less enthusiastic about international investments.

"Over the next five years, we are probably positive about increasing our international investments," he said.

As of Sept. 30, 1987, total international investment by the Top 200 was $31.896 billion. That total, however, included overseas investments by defined contribution plans, while the 1988 figure does not.

Missing from the ranks of international investors as of Sept. 30 were such heavyweights as the Teachers Insurance and Annuity Association — College Retirement Equity Fund, with more than $3 billion in international investments in 1987, and Bechtel Power Corp., San Francisco, with its $354 million investment internationally in 1988.

All told, $3.194 billion in international investments listed in 1987 came from plans that were not included in 1988 because they have defined contribution plans. The 1988 total also is lessened by $1.383 billion because some funds — including U S West, Denver, which listed $885 million in international investments in 1987 — did not complete a survey questionnaire. Another $344 million in foreign investments reported as of Sept. 30, 1987 were from plans no longer among the Top 200.

Some funds, however, did eliminate their foreign investment positions from those reported for 1987. About $170 million in international holdings were sold and not reinvested by funds among the Top 200. "Our international investment was is one security

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EAFE up for year, quarter

The Morgan Stanley Capital International Europe Australia Far East Index rose 15.8% for the fourth quarter, and returned 28.9% for 1988.

The Morgan Stanley World Index, which includes returns from the Unites States and Canada, returned 10.8% for the quarter and 21.2% for the year, as measured in U.S. dollars and without dividends reinvested.

Norway was the top performing country for the fourth quarter, returning 25.9% in U.S. dollars and without gross dividends reinvested, and 26.5% with gross dividends reinvested, according to Morgan Stanley.

Other top performing countries for the quarter, (returns given in U.S. dollars and, respectively, with and without gross dividends reinvested) included Japan, at 18.7% and 18.5%; France, at 18.5% and 17.9%; Sweden, at 18.2% and 17.6%; and Denmark, at 18.1% and 17.5%.

A commentary to a release

Continued on page 78

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Revised targets mulled

By Carol Wiley

Pension fund executives might need new performance benchmarks for the new wave of dedicated and immunized portfolios.

The use of these structured portfolios has surged since the Financial Accounting Standards Board Statement 87 now requires corporations to use market-related interest rates to value pension plan liabilities and since pension executives and their bosses are more savvy about the relationship between assets and liabilities.

Structured portfolios — also referred to as enhanced or duration-targeted portfolios or asset/liability matching — are customized to meet a pension plan's defined liabilities. And because the portfolios are customized, and can include asset classes besides bonds, the benchmarks also should be customized, industry observers contend.

Still, it will take time for pension fund executives to adjust to the idea that the usual indexes probably won't correlate to the performance of their structured investments or to the advisers who manage them.

Judith Freyer was director-investor relations and institutional investments at UGI Corp., Valley Forge, Pa., when The Boston Co. was hired to manage $23 million of the $120 million defined benefit plan in a structured portfolio with performance results tied to UGI's pension liabilities. (Another $23 million is similarly managed by Fidelity Management Trust Co., Boston.)

"We wrestled over FASB the better part of a year," working with Goldman Sachs & Co. on asset/liability studies, said Ms. Freyer, who joined the Board of Pensions of the Presbyterian Church (U.S.A.), Philadelphia, as assistant treasurer in November.

"Intellectually, (structuring) sounds fine and makes sense, but there's an innate bias toward equities," she said.

With that bias, according to managers, comes a need to see traditional, overall performance numbers.

"The performance game gets translated differently in these contexts, but it's still there," said Fred Grauer, chairman of Wells Fargo Investment Advisors, San Francisco. Wells has close to $5 billion in structured products.

The problem now, according to Mr. Grauer and others, is to develop performance measurement systems for managers who specialize in meeting a pension fund's defined liabilities.

"There's a degree of flying blind, no doubt about it," Mr. Grauer said.

"We think there's a trend away from beating the market and comparing managers' performance; rather, we see a trend to a defined liability you have to beat, and performance results are less important," said G.A. David Gray, director of fixed income for structured investment products at The Boston Co., which has 10 clients and $700 million in all of its structured portfolios. Of those 10, however, only one is currently using a customized benchmark. A presentation was made in early December to a prospective client who also requested a similar customized benchmark.

Mr. Gray would not name the client or prospective client.

On the equity side at The Boston Co., Edgar Peters, manager of asset allocation and the structured investments products group, has talked to more than 10 prospective pension fund clients in the past 12 months.

"The goal should be to increase the funding status of the pension plan," Mr. Gray said. "Let's no longer think in terms of beating the indexes; let's think in terms of beating the liabilities and enhancing the surplus."

But managers agreed the concept is hard to sell to pension executives and members of their investment committees, who probably always will require overall performance numbers when hiring a manager.

At National Investment Services of America Inc., Milwaukee, Jeffrey Bryden, vice president, is coordinating a study that could result in a universal framework for evaluating dedicated portfolios. In addition, the firm has two pension fund clients using a quantitative package that helps them use stocks to meet pension liabilities. Mr. Bryden would not release the names of the clients.

NISA has 25 pension fund clients and about $5.5 billion in dedicated portfolios.

Bankers Trust Co. — Investment Management Group, New York, has one unidentified client with two structured portfolios that uses customized bond indexes as benchmarks to meet its individual liabilities, according to Patricia Mahoney, vice president and manager-structured bond portfolios.

Like the other managers surveyed, she sees no galloping trend toward customized benchmarks "but there's at least more discussion," Ms. Mahoney said.

FASB 87 had a part in the surge in interest of structured portfolios and, with that, an interest in customized benchmarks, but structured investments also "are par of a greater move toward looking at asset allocation and how it relates to liabilities. It's a natura progression," she said.

Hyacinth Topinka, senior manager-search analyst in the Deerfield, Ill., office of SEI Corp., doesn't expect to see the day when pension fund sponsors will request managers who can beat a defined liability rather than those with good, overall performance numbers.

"I think there was one once," she said. "And they had money coming out of their ears."

Chase Investors Managemen Corp., New York, with more than $2 billion in structured investments, formulates customized indexes and performance numbers for its pension fund clients because "clients are more comfortable with seeing a rate of return than a discount yield method," said Mary Walsh, vice president.

"The lack of performance measurement (among structured managers) is one reason plans are moving so slowly toward FASB type investments," she said.

EAFE index up

Continued from page 77

from the Morgan Stanley Capital International Perspective attributes the strong performance by continental European countries to increased merger and acquisition activity as firms position themselves for the dissolving of European trade barriers in 1992.

Meanwhile, in bonds, the Salomon Brothers World Government Bond Index jumped 5.14% in the fourth quarter 1988, making the year-end return 4.5[illegible]%, according to Salomon Brothers Inc., New York.

The Salomon World Bond Index, based in U.S. dollars, returned 2.12% in the first quarter, −3.57% for the second quarter and 0.81% in the third quarter.

U.S. government bond returns, which account for almost half of the index, returned 0.98% for the quarter and 7.04% for the year. The year's first three quarters returned, respectively, 3.42%, 0.86% and 1.6%.

The Non-U.S. Government Bond Index, also expressed in dollars, returned 8.67% for the quarter and 2.36% for the year. The year's first three quarterly returns were, respectively, 1.09%, −6.96% and 0.14%.

Japanese bonds led the quarter with a 10.54% return, finishing the year at 3.03%.

Other strong government bond performers for the quarter included Canada, with 8.69%; the United Kingdom, with 8%; France, with 8.04%; and Australia, at 8.49%.

A report by Salomon attributed the strong Canadian and Australian performance to currency appreciation and high bond market yields. The Australian bonds also led the year-end returns, with 27.79%. Also strong were the Canadian bonds, ending the year at 19.41%.

The Salomon Brothers Non-U.S. Currency-Hedged World Government Bond Market, expressed in U.S. dollars, returned 2.89% for the quarter and 9.09% for the year. For the year's first three quarters, the index returned, respectively, 3.75%, 0.29% and 1.9%.

The company's Currency Hedged World Bond Index, in U.S. dollars and including U.S. performance, returned 2.05% for the fourth quarter and 8.28% the year. The index returned 3.58%, 0.54% and 1.8%, respectively, for the year's first three quarters.

Vilas Gadkari, Salomon vice president, said the firm recommends the currency-hedged positions because it gives long-term investors diversification and similar returns with less risk. ■

1988 EAFE vs. S&P 500 index returns

Month	S&P 500	EAFE
January	4.35	1.83
February	4.48	6.71
March	−3.06	6.19
April	1.27	1.49
May	0.64	−3.16
June	4.66	−2.60
July	−0.24	3.16
August	−3.56	−6.47
September	4.29	4.41
October	2.90	8.60
November	−1.60	6.0
December	1.77	0.6

Source: Rogers, Casey & Barksdale Inc. and Frank Russell Co.

13 funds

Continued from page 77

from Japan, and we thought i was fully valued, so we sold it, said Steve Moore, director of research for the pension plan of th University of California pension plan, which had $39 million invested internationally in 1987.

Although Mr. Moore said h thought many of the Japanese investments were overvalued, h added it would be wrong to generalize that the university's pension fund would not again invest internationally.

Audit panels being put on the front line

Power being broadened

By Marcia Parker

Once low-key audit committees are becoming powerful forces in corporations as executives respond to public concerns about mounting business failures, takeovers, the accuracy of corporate reporting and corporate governance.

Two new Conference Board surveys of top executives and chief financial officers found audit committees have changed dramatically in the past 10 years. The committees have been enlarged and given broader responsibilities, such as reviewing quarterly statements and oversight of corporate behavior. These duties extend far beyond the traditional focus on internal and external auditing, financial controls and reporting, which remain key audit committee concerns.

Interviews by *Pensions & Investment Age* with a dozen chief financial officers, accounting industry professionals and audit committee members at various companies drove home the point that audit committees have gradually expanded and sharpened their focus. The more dramatic changes have been seen in midsize and small companies, some of which only recently created audit committees.

That is due to many companies listed on NASDAQ trying to meet a February deadline requiring them to have audit committees. The American Stock Exchange also is considering a similar requirement, although it now encourages listed companies to have committees. The New York Stock Exchange already requires listed companies to have audit committees.

Lee J. Seidler, senior managing director at Bear Stearns & Co., New York, and an acknowledged expert in the field, said audit committees are doing a better job across the board. He said they've become more independent, have strong access to top executives and their members are prepared to ask tough questions. At Bear Stearns, "there's no shyness on the part of the audit committee. Members are used to demanding and nailing," said Mr. Seidler, who sits on the audit committees of two public companies.

Jeremy Bacon, senior research associate and author of a Conference Board report on the surveys, said several developments have focused attention on audit committees and exerted pressure for change.

The growing attention being paid to corporate governance and the board of directors has filtered down to the audit committee, which is a board committee, he noted. Other catalysts include widespread corporate restructuring, the growing role of internal auditing, a crisis in confidence in public accounting, recommendations by the 1987 National Commission of Fraudulent Reporting, and regulatory and legislative initiatives.

A panel set up to monitor progress since the commission, also known as the Treadway Commission, issued its recommendations recently released its first progress report. It said several groups, including the American Institute of Certified Public Accountants, the Financial Executives Institute, the Securities and Exchange Commission and the House Energy and Commerce Subcommittee on Oversight and Investigations, have initiated actions to improve company financial reporting. Some of them have developed guidelines on internal controls and auditing standards. The SEC has adopted new disclosure requirements, and Energy and Commerce Chairman John Dingell, D-Mich., is expected to introduce legislation this year on some of the Treadway Commission's suggestions.

The business research group found audit committees now deal with a broader agenda that has been formalized. "Most of the tasks that stretch the committee's reach beyond financial issues relate to monitoring corporate behavior, both the firm's as a whole and on the part of individual executives or other employees" or directors, according to the Conference Board report.

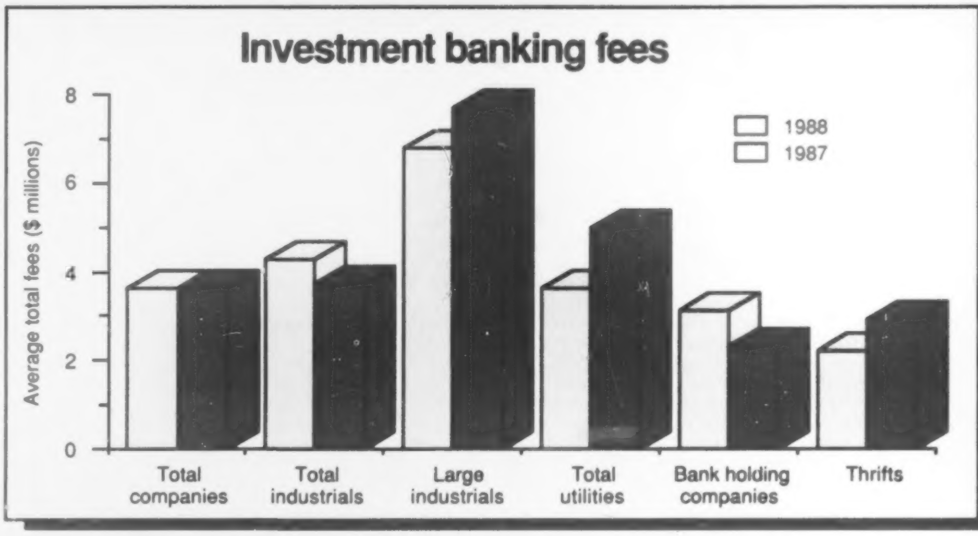
Many audit committees now oversee the content of, and compliance with, corporate policies governing ethical behavior and employee conflicts of interests. Some committees also monitor compliance with specified laws such as the Foreign Corrupt Practices Act.

Those who responded to the Conference Board surveys said their audit committees had investigated a wide range of situations or allegations, including insider trading violations, conflicts of interests, kickback payments and the fairness of a proposal to go

Continued on page 80

Percent of committees reporting authority

	Written	Presumed	Total
Meet privately with outside auditors	26%	72%	98%
Meet privately with internal auditors	21	72	93
Initiate investigations	17	69	86
Monitor conflicts of interests	25	51	76
Monitor code of ethics	24	50	74
Monitor compliance with laws	18	54	72
Review financial statements	20	48	68
Monitor RICO	8	56	64
Hire outside expert advice	12	49	61



'89 financing issues

Debt, investment bank fees tops on list

By Marlene Givant Star

GREENWICH, Conn. — The growing importance of private debt and competitive pressures on investment banking fees will be dominant themes in this year's corporate financing scene, according to a survey of U.S. corporations.

Ironically, the labor-intensive and expensive transactions corporate executives will demand this year — such as private issuance and cross-border mergers and acquisitions — will force them to rely more heavily on investment banks, which they have grown to distrust in light of the banks' increased role in hostile takeovers. In addition, corporate executives think investment banking fees are unjustifiably high, according to "Tensions in Investment Banking Relationships," a survey report by Greenwich Associates, Greenwich, Conn.

"Because of their greater access to deep pools of capital and the emphasis on their own profitability, there is both a temptation and a tendency for investment bankers to put themselves in an adversarial position, instead of an advisory one, vis-a-vis their own clients," said James A. Bennett Jr., a vice president of Greenwich.

"The corporate executive is asking himself, 'If I refuse their advances, could they put me in play?' The answer: 'Absolutely.' "

But corporate executives are heartened that the growing competition in the industry could put downward pressure on fees.

Many of the new contenders will benefit from cross-border mergers and acquisitions business, which is expected to outpace domestic activity in terms of growth in demand in 1989.

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Debt, fees top

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In addition, demand is expected to double this year for private placement of debt and for currency swaps. Use of interest rate swaps and public bond offerings should increase 50% or more from current levels, according to the report.

The typical large company maintains three or four domestic investment banking relationships — its most important sources of domestic investment banking services. That average is an increase from previous years, and the trend was reflected in all market segments.

Five different investment banking services were used by at least 25% of the industrial companies surveyed in 1988: advice on domestic mergers and acquisitions; repurchase of common stock; commercial paper issue; domestic divestiture; and advice on takeover defense.

Companies tend to accept high fees in high value-added areas like mergers and acquisitions; only commodity-type products such as debt issuance and commercial paper business are price sensitive, according to the report.

The majority of the nearly 1,500 corporate financial executives responding to the survey said investment banking fees are too high or much too high, but those paying the highest fees said they probably will go on doing so.

Forty-seven percent said fee levels were too high vs. only 29% who said "you get what you pay for."

Total investment banking fees paid by the nearly 1,500 companies surveyed remained the same as in 1987 — an average of $3.6 million. The average fee paid by the typical industrial company, however, rose to $4.3 million during the period, up 15% from the previous year.

Fees for the 100 largest industrials averaged $10.2 million, down more than 20% from 1987, while the balance of the top 500 industrials paid average fees of $3.8 million in 1988 — up from $3.3 million in 1987.

Merger and acquisition fees paid by the typical company during the past 12 months averaged $1.2 million, or one-third of the total fees paid.

On average, a company paid one-half of total fees to its most important investment bank.

One-fifth of all industrial companies expect to pay a fee for advice on international mergers and acquisitions this year — up 50% from last year — and nearly one-third of the largest industrials expect to do so.

Such cross-border activity is likely to be a boon to foreign investment banks because "international deals are typically smaller and they tend to be more complex and time consuming. As a result, some (Wall Street) investment banks are looking hard at the opportunity cost — and are questioning whether they want to be involved," said Charles D. Ellis, Greenwich managing partner.

Commercial banks were twice as successful in attracting international mergers and acquisitions business as domestic deals — doing business with 18% of the 37% of companies they solicited. The banks also solicited 37% of companies for domestic deals, but only 9% of the companies ended up using the commercial banks.

Commercial banks have an advantage in cross-border mergers and acquisitions because they have a larger network in more countries than investment banks, according to John Colon, a vice president of Greenwich.

The proliferation of commercial banks, investment banking boutiques and foreign firms is viewed by companies as the most positive development in investment banking today.

Of the newcomers, the top U.S. commercial banks are making the biggest inroads, especially in commercial paper and private debt placement. They also are important players in risk management, which they increasingly are tackling on a global basis as an adjunct to their own funding needs, the report said.

"Commercial banks are moving toward what they call structured finance: the bringing together of a series of product capabilities that uses a bank's balance sheet to facilitate or precipitate a transaction. . . . The bank serves as adviser to the company, sells one of the company's operations to raise cash, lends the company money and organizes a series of swaps and options to fix the costs of that money," said Mr. Bennett. ■

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Audit panels

Continued from page 79

private.

As a result of the expanded duties, the audit committee must use different approaches to monitoring and reviewing, and its members must be able to ask a new line of probing questions, according to the survey report.

Since 1978, there has been a significant increase in the percentage of companies that have a written description of the audit committee's responsibilities, climbing to 83% from 69%. The use of a separate committee charter or mission statement has gained ground, with 15% of companies reporting the practice, according to the report.

Philip Peller, partner and director of the accounting and audit practice at Arthur Andersen & Co., New York, said many of his large corporate clients had re-examined and strengthened bylaw and charter sections dealing with audit committees.

Audit committee membership, which traditionally has consisted of mainly outside directors, also has risen. Members are spending more time on their job than ever before and expect to work even harder in the future because of the increased duties, the complexity of issues and the general trend toward more oversight and improved corporate governance.

Median sizes are now four members for manufacturing and non-financial services companies, up from three in 1978, and 4.5 for financial firms, up from four.

Audit committee members include fewer directors with relationships that might interfere with the exercise of independent judgment, especially former executives of the company and directors affiliated with banks serving the company. The study said 90% of the committees have no members with such a potential conflict of interest.

The committees also report more frequently, an average of three times a year, up from twice a year in 1978. Respondents to the Conference Board surveys gave the audit committee high marks for having brought about improvements in other traditional core areas of their role such as external and internal auditing. Many agreed the committee's work has improved both the full board's awareness and understanding of these matters and also its effectiveness.

"It has been an evolutionary thing . . . Most companies have placed audit committees in a position of responsibility," said Morton Solomon, a partner at KPMG Peat Marwick, New York. "There has been an emphasis on expanded communications between the audit committee and outside auditors. That certainly strengthens the role of the audit committees."

While the trend toward strengthening the audit committee is clear, the Conference Board found not all executives are convinced that is the way to go.

"This report supports the conclusion that the trend toward expanding the purview of the audit committee and giving it more clout has broad support," according to the report. "However . . . the findings also suggest that a significant number of people question the appropriateness of some elements of the trend or of concepts being proposed in connection with it."

Thirty-seven percent of the 121 CEOs and CFOs surveyed favored the trend toward an expanded role for the audit committee. Another 39% thought it was appropriate for many companies but not all, and the remaining 24% felt a broadened rule for the committee should be limited to situations where specific oversight is needed. Three-fourths of those surveyed said they were concerned that the added responsibilities being placed on audit committees would increase the risk of committee members being sued. But most believe indemnification, insurance and state statutory protection, as they are evolving, will offset additional exposure. Others expressed concern a powerful committee would compromise the difference between oversight and managing. ■

U.S. credit quality expected to slide

NEW YORK — The credit quality of U.S. corporations is likely to weaken this year, following 1988's negative trend, while companies based outside the United States probably will see stable or higher ratings in 1989, according to Standard & Poor's Corp., New York.

In its forecast, Standard & Poor's CreditWeek publication said downgrades of U.S. industrial, electric utilities and natural gas companies are likely to outpace upgrades in those sectors. Credit quality will be more stable for the transportation, financial institutions, telecommunications and international sectors.

Standard & Poor's cited three factors that will contribute to the weaker corporate ratings: a recession by year end that could exert downward pressure on ratings of domestic companies unprepared to cope in a tough economic environment; higher interest rates that could negatively affect many sectors; and industrial ratings that continue to be vulnerable to mergers and restructurings.

Overseas, the forecast is brighter. The rating agency said a wide range of corporate issuers learned their lessons from the volatility of the early 1980s, and have been implementing strategies to cope with such variables as fluctuating demand, changing regulation, intensified competition and skittish currency values. Upgrades, after steadily closing the gap against downgrades, surpassed the number of lower ratings in 1988. Even if a mild slowdown occurs in 1989, Standard & Poor's said most companies can weather it. ■

Asset growth

Continued from page 1

P&I Age surveyed the 1,000 largest U.S. pension funds for data as of Sept. 30. The profile section, which includes rankings as well as individual profiles of the Top 200 funds, begins on page 13.

Information was gathered through questionnaires and phone interviews; when those methods proved unsuccessful, statistics were provided by the 1989 Money Market Directory.

Assets of the 100 largest pension funds increased about 0.2% during the year ended Sept. 30, to $1.004 billion from $1.002 billion. Assets of the 50 largest funds fell 3% to about $791.77 billion from 794.2 billion, while the Top 25 unds remained about steady at $581.88 billion compared with $582 billion a year earlier.

In general, Top 200 defined contribution assets increased 7.6% to $205.317 billion as of Sept. 30, up from $190.9 billion a year earlier. For those funds that broke out their defined contribution assets, thrift and savings/401(k) assets jumped 19.6% to $80.883 billion from $67.6 billion the previous year, while profit-sharing assets fell 38.3% to $11.78 billion from $19.1 billion.

Defined benefit assets among the Top 200 funds declined 1.2% to $972.813 billion as of Sept. 30 from $984.9 billion the previous year.

The trend toward defined contribution plans, coupled with greater exposure of defined benefit plans to the equity market, probably account for the decline in defined benefit assets, Hewitt's Mr. Jones said.

"Defined benefit plans are being terminated, and new defined contribution plans are being created," he said. "This has been the trend for several years, and that affects the numbers.

"The 12-month period also includes the crash, and defined benefit plans have greater equity exposure than defined contribution plans," he said.

Among the Top 200, public pension funds fared the best, reporting a 4.1% increase in assets to $535.5 billion as of Sept. 30 from $514.4 billion a year earlier. Union plans lost the most, falling 3.7% to $35.9 billion from $37.3 billion. Corporate pension assets dropped 2.2% to $528.8 billion from $540.8 billion a year earlier.

Public funds' restrictions on equity investments worked to their advantage this year, said Harold Rossen, senior vice president of Prudential-Bache Securities Inc., Detroit.

Also, public funds "are experiencing greater contributions than corporate plans," Mr. Jones said. "Corporate plans are being funded at a relatively low rate currently because their pension plans are so well-funded, and that's not true of public funds." But public fund contributions are drying up as well (see related story on this page).

The aggregate asset mix of the 1,000 funds was 41.9% stocks, 32.4% bonds, 10.7% cash, 4.2% real estate equity, 3.9% guaranteed investment contracts, 0.6% annuities, 0.9% mortgages, 1.8% mortgage-backed securities and 3.6% in other investments.

The average defined benefit asset mix of the Top 200 funds revealed a wariness of the stock market. The average stock commitment decreased 4.3 percentage points to 42.8% from 47.1% a year earlier; bond investments went up 3.7 percentage points to 35.3% from 31.6%.

Assets in cash were 9.1% vs. 8.2% the previous year. Real estate equity also increased, representing 4.3% of the assets, compared with 3.4% a year earlier. Mortgages remained constant at 1.4% of assets.

All other asset classes showed decreases. GICs comprised 1.6% of defined benefit assets as of Sept. 30, compared with 2.3% a year earlier; annuities 0.7%, compared with 1%; mortgage-backed securities 3.3%, compared with 3.4%, and the other category was 1.5%, compared with 1.6%.

The average asset mix of corporate funds in the Top 200 as of Sept. 30 was 48.6% stocks, compared with 54.5% a year earlier; 29.8% bonds, compared with 23.9%; 9% cash, up from 8.2%; 5.1% real estate equity, up from 4.2%; 2.4% GICs, down from 3.6%; 1.2% annuities, compared with the previous year's 1.7%; 0.3% mortgages, down from 0.6%; 1.6% mortgage-backed securities, up from 0.9%; and 2% other investments, down from 2.4%.

Top 200 public funds decreased their equity investments to 35.2% as of Sept. 30, down from 39% a year earlier. Bond investments were up to 41.4% of assets, from 40.3%; cash was up to 9.7%, from 8.2%; real estate equity up to 3.4%, from 2.5%; GICs, up slightly to 0.5% from 0.4%; mortgages up to 2.4%, from 2.2%; mortgage-backed securities, down to 6.2% from 6.6%; and other up to 1.2%, from 0.8%.

The average asset mix of the Top 200 union plans was 34.6% stocks, compared with 38% a year earlier; bonds 45.4%, compared with 39%; cash 8.8%, compared with 10.1%; real estate equity 3.4%, down from 3.9%; GICs 2.2%, up from 1.8%; annuities 2%, compared with 2.4%; mortgages 2.1%, up from 1.7%; mortgage-backed securities 1%, down from 1.7%; and other investments 0.5%, down 1.4%.

The average asset mix for defined benefit funds in the Bottom 800 funds showed similar shifts in strategies.

As of Sept. 30, those funds had 41.7% in stocks, compared with 44.4% a year earlier; 31.5% in bonds, compared with 29.8% a year before; 11.3% in cash, up from 10.4%; 4.1% in real estate equity, up from 4%; 0.8% in mortgages, down from 1.3%; 1.3% in mortgage-backed securities, down from 2.1%; 4.9% in GICs, up from 3.5%; 2.1% in international, down from 2.4%; 0.6% in annuities, compared with 1.2%; 0.4% in venture capital, down from 0.5%; 0.04% in oil and gas, up from zero; 0.03% in LBOs, up from zero; 0.1% in private placements, down from 0.3%; and 1.13% in other, compared with 1.1% a year earlier.

For the first time, the Top 200 sponsors were surveyed on the asset mix of their defined contribution plans. As of Sept. 30, the average asset mix for those plans was 29.9% GICs; 22.6% stocks; 18.5% company stock; 13.7% bonds; 9.5% cash; 5.6% other investments; and 0.2% in annuities.

Ten pension funds dropped out of the Top 200 since last year's survey. They are: Citicorp, which fell to No. 275 in the rankings due to a termination; General Foods Corp., which was purchased by Philip Morris Inc. and is now included in its profile; Pan American World Airways Inc., which fell to 213; Unocal Corp., which fell to 216; Merck & Co. Inc., which fell to 219; Times Mirror Co., which fell to 276; Public Employee Retirement System of Idaho, which fell to 202; Teamsters, New England Trucking Locals, which fell to 212; North American Philips, which fell to 209; and Teledyne Inc., which fell to 207.

New to the Top 200 this year are: State Farm Insurance, at No. 118 in the rankings; the Federal Retirement Thrift Investment Board, at 130; Phillips Petroleum Co., at 165; Indiana State Teachers' Retirement Fund, at number 182; United Parcel Service, at 189; Evangelical Lutheran Church in America, the fund resulting from the merger between the Lutheran Church in America and the American Lutheran Church, at 191; Sheet Metal Workers International, at 193; Texas Instruments Inc., at 197; Delaware State Employees' Retirement Fund, at 198; and NCR Corp., at 200.

An examination of other Top 200 data revealed:

- Fewer assets were invested in index funds.

Assets in stock index funds dropped 19.1% to $114.3 billion as of Sept. 30, from $141.3 billion the previous year. Of that amount, $41.3 billion was in internally managed stock index funds, a 34.4% decrease from $63 billion a year earlier.

Bond index funds also declined, falling 9.3% to $40.8 billion from $45 billion. Of that amount, $2.3 billion was run in-house, a decrease of 14.8% from $2.7 billion the previous year.

- Nine fewer funds among the Top 200 are managing assets in-house. Funds managing at least a portion of their assets in-house now total 116, down from 125.

Internally managed assets fell 10.3% to $426.732 billion from $475.8 billion. Internally managed equities are down 27.5% to $139.614 billion from $192.6 billion; fixed income was down 3.6% to $198.79 billion from $206.2 billion; cash was down 2.2% to $37.735 billion from $38.6 billion; and other internally managed investments totaled $31.937 billion, up 23.8% from $25.8 billion.

- Four more funds among the Top 200 have placed assets in dedicated or immunized bond products, bringing the total to 31 as of Sept. 30.

Dedicated or immunized assets increased 7.5%, to $26.445 billion from $24.6 billion a year earlier. ■

ESOPs' roles

Continued from page 1

Rosen.

About 500 or 750 publicly traded companies have ESOPs, he estimated. Of those, only about 100 ESOPs own 10% or more of their company's stock.

The tax advantages "make (ESOPs) a little more attractive," Mr. Rosen said. He said corporations are lured by the combined attractions of leveraged ESOPs as an anti-takeover device, a benefit for employees and a tax-advantaged way of paying employee benefits.

In the Polaroid ruling, a Delaware court left in place the company's ESOP, even though it was enlarged to thwart an unwanted takeover by Shamrock Holdings Inc., a Burbank, Calif., concern that filed suit to disband the ESOP as an unfair defense. Shamrock, which according to a report owns 6.8% of Polaroid stock, has appealed the ruling.

The ruling acknowledged Polaroid increased the size of the ESOP to 14% of the stock from a previously planned 5% once the Shamrock takeover attempt became known. But it stated the ESOP also is designed to improve value to shareholders by redesigning the form of employee benefits.

When a company incorporated in Delaware is the subject of a takeover (as is Polaroid), state law requires the acquirer to accumulate 85% of shares outstanding or to delay the takeover for three years.

Mr. Rosen noted ESOPs set up solely as anti-takeover devices have been prohibited. But the Polaroid ruling would allow companies to set up ESOPs, even at the time of a takeover attempt, so long as management can demonstrate the plans help improve shareholder value.

At the United Shareholders Association Inc., Washington, Ralph V. Whitworth, director, called ESOPs "an excellent idea," so long as they are used to diffuse control and not concentrate control with management.

At Procter & Gamble, Mr. Smith said the company will make contributions to the new combined ESOP/profit-sharing plan based on the same formula used for the existing profit-sharing plan.

"Employees will receive the same annual benefit credit," he said. "Part of it will be funded by the ESOP with the tax credit and part will be funded by normal contributions" to the profit-sharing plan.

He estimated one-third of the contributions will be made to the ESOP, although the amount hasn't been determined.

Procter & Gamble plans to set up, as of July 1, the ESOP that will hold newly issued convertible preferred stock and effectively control 6% of the company's common stock.

Together with the 14% now held by the profit-sharing plan, the employee benefit plans will control 20% of the shares outstanding and could effectively block any hostile takeover.

Mr. Smith said Procter & Gamble will appoint several former corporate executives as trustees of the ESOP, the same arrangement the company uses for trustees of its profit-sharing plan. He said the design of the plan requires the trustees to vote unallocated shares in the ESOP in the same proportion as allocated shares.

Mr. Smith said the ESOP expects to obtain $1 billion in financing through private placements, possibly in the next few weeks. "We're working on that right now," he added.

The ESOP will use the debt proceeds to buy $1 billion in newly issued convertible preferred stock from Procter & Gamble.

To offset the dilutive effect of the new preferred shares, the company, in turn, will buy on the open market 12 million shares of common stock, worth roughly $1 billion at the recent price of $86 a share.

"I really don't know how long it will take, probably less than a year," he said. The company will try to time the purchases to avoid running up the price, he said.

(Procter & Gamble in the past year already has repurchased 1 million shares.)

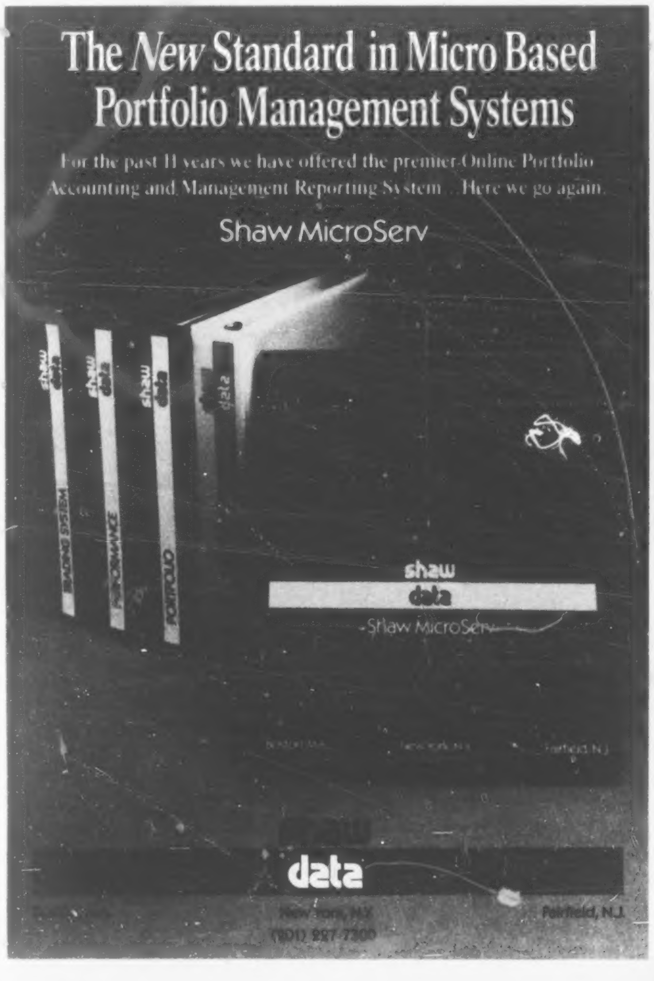
The preferred stock will be convertible into common stock on a one-for-one basis, although other terms haven't been set, Mr. Smith said.

Using corporate employee benefit contributions and preferred stock dividends, the ESOP will repay the loan, guaranteed by Procter & Gamble, over 15 years.

Procter & Gamble can deduct the dividends used by the ESOP to repay the loan.

In addition, if Procter & Gamble stock rises in price, as the plan presumes, the increased value of the shares allocated to the plan will reduce the amount the company will have to contribute.

In combining the profit-sharing plan with the ESOP, Mr. Smith said the company will revise the investment option slightly to employees. Now, vested employees may elect to invest their profit-sharing contributions in a guaranteed investment contract or company stock. (Non-vested employees have to invest their contribution in company stock.) With the ESOP providing part of their profit-sharing benefit, vested employees will have less to contribute to GICs instead of company stock. ■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Indexers win big in '88

Wells Fargo, State Street surge to top

By Trudy Ring

Wells Fargo Investment Advisors and State Street Bank & Trust Co. gained the most new business in 1988, outpacing the closest competition by at least $4.5 billion.

These managers were propelled to the top on the strength of their indexing accounts, according to *Pensions & Investment Age*'s Scorecard survey, which covers net asset growth during the 12 months ended Dec. 1. Managers were asked to quantify contributions from new clients, additional contributions from existing clients and market gains or losses.

Overall net growth includes market gains or losses. Net growth figures for each asset category include only contributions (net of withdrawals) from new and existing clients.

Of the 292 survey respondents, 34 declined to provide client names and were not included in the rankings. Managers were asked to provide client names and were allowed to stipulate that any or all of the names not be published.

Wells Fargo, San Francisco, took top honors among large firms — those with more than $1 billion in total assets under management — with overall net growth of $11.8 billion. About $8 billion of that came from increased allocations from existing clients.

Scorecard charts and stories, page 4.

The firm is prominent in both indexing and tactical asset allocation. Many clients started with Wells Fargo for a Standard & Poor's 500 Stock Index fund, then retained the firm for specialized stock indexing, bond indexing, foreign indexing or tactical asset allocation, said Patricia Dunn, president. "As all of those prod-

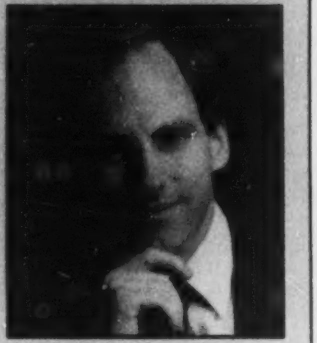
Continued on page 34

ScoreCARD

✓	**Wells Fargo Investment**	**11.84**
✓	**State Street Bank**	**8.16**
✓	**Mellon Capital**	**3.6**
✓	**Bankers Trust**	**3.1**
✓	**Metropolitan Life**	**3.07**

S&P 500 stocks lose edge over non-index issues

By Joel Chernoff



William Jacques says S&P 500 stocks lost some of their gleam last year.

After producing superior returns for nearly a decade, stocks in the Standard & Poor's 500 Stock Index lagged non-index companies with similar characteristics by 360 basis points last year.

The shift was steady throughout the year. "If there was an S&P 500 bubble, it seems to be deflating rather than bursting," said William Jacques, chief investment officer of Martingale Asset Management, Boston. Martingale and BARRA, a Berkeley, Calif.-based consulting firm, developed the data.

Martingale and BARRA speculated a combination of factors had produced superior returns for S&P stocks from 1980 through 1987, amounting to an average annual four percentage-point advantage.

Officials of the firms suggested the growing use of indexed funds, development of derivative instruments, program trading strategies and flows of foreign assets into "name brand" stocks had driven billions of dollars into S&P stocks, giving them an edge over stocks of equivalent

Continued on page 33

Japanese door ajar

Access to pension assets a possibility

By Barry B. Burr

TOKYO — For the first time, both foreign and domestic investment advisers would be allowed to manage a very restricted part of Japanese corporate pension fund assets under a proposal now before the Diet.

The Japanese corporate fund market, estimated to be more than 18.25 trillion yen, or about $141.2 billion, heretofore was the sole preserve of trust and insurance companies.

The limited deregulation — proposed by the Ministry of Finance in January — also would permit certain Japanese pension funds to run part of their assets in-house.

The proposal requires the investment advisers to run balanced portfolios only and limits in-house management to debt investments.

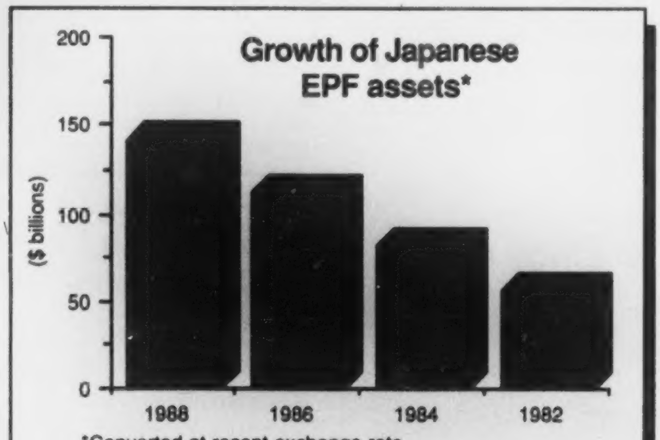
Only new cash flow could be placed with investment advisers or in-house management. The existing $141.2 billion in assets would remain with trusts and insurers.

If adopted as expected by the Diet, Japan's parliament, the proposal would open part of the Japanese corporate pension fund market to the 127 advisers, including 31 foreign firms, registered under a 1986 investment advisory law. A Ministry of Finance official based in New York who asked not to be named said it is possible the Diet would enact the law as early as spring.

The proposal was outlined Jan. 19. It would be the first major relaxation of restrictions since 1985, when Japan allowed nine foreign banks to join the Japanese trusts and insurers in managing pension assets.

"Don't jump to the conclusion that the Japanese market is suddenly going to be liberalized," said Peter Dietz, representative director of Frank

Continued on page 33



*Converted at recent exchange rate

Source: Pension Fund Association data provided by Frank Russell Co.'s Tokyo office

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LATE NEWS

Valero sets up leveraged ESOP

SAN ANTONIO, Texas — Valero Energy Corp. will borrow $15 million to finance the purchase of approximately 1.4 million shares of its common stock for a newly established leveraged employee stock ownership plan.

The Valero board of directors authorized the company to borrow the $15 million under a 10-year loan to buy about 5% of the 28 million common shares outstanding. According to a statement, ESOP contributions will be financed through corresponding reductions in contributions to an existing thrift plan.

Wilshire starts international unit

SANTA MONICA, Calif. — Wilshire Associates has opened an international consulting division that will be headed by Lawrence E. Davanzo, former head of the 70-client domestic consulting division.

Replacing Mr. Davanzo at the domestic consulting division, which advises plans with a total of about $200 billion in assets, is Stephen L. Nesbitt, who has been promoted to partner.

Mr. Davanzo, who remains a senior vice president and partner at Wilshire, said the new international division will help companies from Japan, elsewhere in the Far East and Europe with strategic asset strategies, including management of foreign cash flows into the United States, and help foreign money managers prepare for the deregulation of Japanese pension funds.

The division also will help some of the 127 Japanese investment managers better understand practices and needs of U.S. employee benefit funds investing abroad.

Wisconsin board looks outside

MADISON, Wis. — The $17 billion State of Wisconsin Investment Board for the first time will look for external managers to augment its internal staff as it expands its international investments.

The internally managed fund also has added an international equity portfolio manager to its staff and is seeking an international fixed-income staff member as it gears up to invest up to 10% of its assets overseas.

David Herro joined the board last week as a portfolio manager in international equities, according to Marshall Burkes, executive director. Mr. Herro came to Wisconsin from The Principal, Des Moines, Iowa, where he was a manager of international equities.

L.A. County seeks yield adviser

LOS ANGELES — The $8 billion Los Angeles County Retirement Association has narrowed to five its search for equity managers whose style focuses on stock yields.

One or more of the managers selected will manage a total between $350 million and $450 million, said Victoria Treadwell, a portfolio analyst for the fund.

The finalists are: Delaware Investment Advisers, Philadelphia; Hagler, Mastrovita & Hewitt Inc., Boston; Hotchkis and Wiley, Los Angeles; INVESCO Capital Management, Atlanta; and Merus Capital Management Inc., San Francisco.

Callan Associates, San Francisco, is assisting in the selection.

Fund targets media acquisitions

NEW YORK — Sillerman-Magee Communications Management Corp., a communications merchant bank, is launching its first fund for institutional investors.

The private placement fund will raise about $100 million and will invest in companies that are supported by advertising dollars in such industries as radio, television and publishing.

The merchant bank is 10% owned by Equitable Capital Management Corp., New York, which invests directly in many of the firm's deals.

Firestone taps Chicago Group

CHICAGO — The Firestone Tire & Rubber Co., with about $492 million in total tax-exempt assets, has hired The Chicago Group, a unit of Morgan Stanley Asset Management, to manage $25 million in an equity account, said Meredith Parente, Firestone's manager of domestic finance.

Ms. Parente said she couldn't comment on the company's allocations, and also declined to say from where the assets were coming. The Chicago Group specializes in value investing.

Texas Teachers to study future

AUSTIN, Texas — The Teacher Retirement System of Texas, with total assets of nearly $20 billion, has hired Wyatt Asset Services, Dallas, to perform an asset/liability study to help the system gauge the impact of changing demographics on the fund in coming years, according to Bruce Hineman, executive director.

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Vol. 17, No. 3 — Pensions & Investment Age (ISSN 0273-5466) is published biweekly with a special edition in May, at 740 Rush St., Chicago, Ill. 60611. Second class postage paid at Chicago, Ill. and at additional mailing offices. Postmaster: Send address changes to Pensions & Investment Age, Circulation Dept. 965 E. Jefferson, Detroit, Mich. 48207. Copyright 1989.

On the air . . . maybe

Fund's TV premiere panned

By Curtis Vosti

David Bronner approved the purchase of a television station by the Alabama pension fund.

MONTGOMERY, Ala. — The $8 billion Retirement Systems of Alabama has plans to purchase a Montgomery television station, but Gov. Guy Hunt is talking cancelation before the show gets under way.

The systems, which include the state's teacher and employee pension funds, filed suit Jan. 27 in Montgomery County Circuit Court seeking a ruling it acted properly in December when it purchased WSFA, Montgomery's dominant television station, for $70 million.

The sale still needs approval from the Federal Communications Commission, but "as far as Mr. Hunt is concerned, it is stopped — null and void," said Terry Abbott, the governor's press secretary.

Mr. Abbott said the governor opposes the purchase for a couple of reasons. "We feel it would be a conflict of interest in that the retirement systems could exercise undue influence in the biggest television station in the capital city."

Mr. Abbott also said the governor thinks the purchase is void because the retirement system violated several of its regulations as well as state statutes in proceeding with the purchase.

Particularly, Mr. Abbott said, the retirement board went through with the sale without the written approval of Finance Director Robin Swift, who, by statute, is an investment committee member of both the teachers and employees funds, which are splitting the purchase.

Bill Walsh, deputy secretary-treasurer of the retirement systems, said Mr. Swift expressed no opposition to the purchase when first informed of it by David Bronner, the systems' chief executive officer.

Neither Mr. Swift nor Mr. Bronner could be reached for comment.

Mr. Walsh said Mr. Swift previously had given Mr. Bronner the power to approve — by signing Mr. Swift's name — routine investments.

"When the investment was made, we had the authority," Mr. Walsh said. "As far as we are concerned, (the purchase of the television station) was a routine investment. A week later, we bought $140 million in CSX (Corp.) and we used the same procedure. We used the same procedure we did for everything."

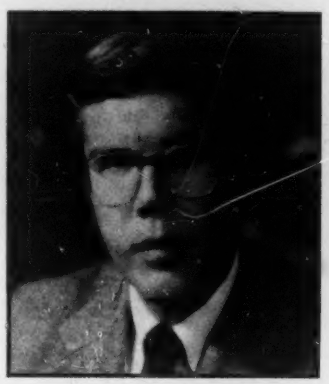
Mr. Abbott said that according to state statutes and retirement

Continued on page 39

Boston Co.'s new leader stresses firm's continuity

By Curtis Vosti

BOSTON — Despite a scandal that rocked three top officials from the company, the new president of The Boston Co. says continuity of leadership will allow the company to grow as it had under former President James von Germeten.



Boston Co.'s William J. Nutt says the firm is committed to growth.

Mr. von Germeten, Joseph Murphy, chief financial officer and executive vice president, and Michael J. Walsh, senior vice president and treasurer, are out of jobs in the wake of accounting errors that led to a pre-tax $30 million overstatement of the company's earnings for 1988's first three quarters. Messrs. Walsh and Murphy resigned at a Jan. 20 meeting of the boards of directors of The Boston Co. and its affiliate, Boston Safe Deposit & Trust Co.; at the same meeting, Mr. von Germeten was fired after pleading his case and refusing a severance offer, reported to be in the millions of dollars.

He was replaced by William J. Nutt, who will assume the titles of president of the Boston Co. and chairman and chief executive officer of Boston Safe Deposit.

In a brief interview that he cut short, Mr. Nutt said the companies' businesses are expected to continue the growth that characterized Mr. von Germeten's six-year employ

Mr. von Germeten could not be reached for comment.

"We know of no legal action that he's taken," Greg Ahern, senior vice president, said of rumors that Mr. von Germeten might be preparing a lawsuit.

"I don't think you change the approach to business management by changing one person," Mr. Nutt said. "No doubt that Jim contributed to that growth, but we have strong, capable leadership that can continue."

Mr. Nutt specifically mentioned George Phillips, Boston Co.'s chairman, and Thomas J. Lucey, group manager for institutional clients, as persons who had led the company for many years and continue in their positions.

Although Mr. Nutt said he "frankly" didn't know if the company could continue the spectacular growth rate that marked Mr. von Germeten's tenure, he said growth was an essential element to a business to provide opportunities to its people and revenue to its systems.

"We're committed to growth," he said. "I think we will achieve

Continued on page 37

Council campaign targets 5

By Marcia Parker

WASHINGTON — The Council of Institutional Investors is targeting five companies for the 1989 annual meeting season as part of its continuing campaign to open a direct dialogue between corporate America and the institutional shareholders that own the bulk of their stock.

The target companies are American Greetings Corp., Cleveland; Emerson Electric Co., St. Louis; Scott Paper Co., Philadelphia; Sears, Roebuck & Co., Chicago; and SmithKline Beckman Corp., Philadelphia.

Sarah Teslik, executive director of the council, said council members collectively hold significant blocks of stock in those companies.

"We will begin corresponding with management and directors to achieve better communications between shareholders and management," Ms. Teslik said.

She said letters seeking individual meetings in mid-March with company executives went out last week to the executives of the companies. The purpose of the meetings would be to initiate discussion with management on ways to ensure boards of directors effectively represent shareholders' interests.

Companies could be encouraged to establish a permanent role for shareholders in the nominating process, such as through the creation of a nominating committee to include shareholders; to accept the submission of a list of nominees for directorship; and to submit certain issues, such as poison pills and golden parachutes, for shareholder votes. Ms. Teslik said the goal is not to obtain a seat on any board for a council member.

The council's members include institutional investors such as state, local and union pension funds that collectively hold more than $300 billion in assets. The organization has been stepping up its corporate governance activities, in keeping with the growing activism of institutional investors everywhere.

The group is preparing economic performance data for judging management and a data bank of qualified pro-shareholder directors. ■

Score CARD

NET DOLLAR GAIN

Top 10 managers over $1 billion

Firm	$ millions
Wells Fargo Investment Advisors	11,840
State Street Bank	8,160
Mellon Capital Mgmt.	3,600
Bankers Trust	3,100
Metropolitan Life	3,069
Sanford C. Bernstein	3,058
Aetna Life Insurance	2,930
Morgan Stanley Asset Mgmt.*	2,845
Capital Guardian Trust	2,819
Pacific Investment Mgmt.	2,782

*Nine months ended Sept. 30

Top 10 managers $250 mil. to $1 bil.

Firm	$ millions
T. Rowe Price Guaranteed Asset	817
Cabot, Cabot & Forbes Realty Advisors	720
First Quadrant	624
QuantiLogic Asset Mgmt.	490
Axe-Houghton	489
Fiduciary Capital Mgmt.	450
Security Capital Mgmt.	400
Boston International Advisors	371
Ariel Capital Mgmt.	362
Morgan Grenfell Capital Mgmt.	355

Top 10 managers under $250 million

Firm	$ millions
Mount Lucas Mgmt.	168
Investment Research	157
Acadian Asset Mgmt.	155
Fisher Investments	127
JMC Capital Mgmt.	124
Marsh & Cunningham	120
Rampart Investment Mgmt.	115
Capital Technology	102
LVM Capital Mgmt.	90
Derivative Markets Mgmt.	89

Index managers take lion's share

By Trudy Ring

Indexed and structured investment strategies were the key for domestic investment managers that attracted substantial new business in 1988.

Among firms with more than $1 billion in total assets under management, the three top gainers of domestic equity business are exclusively or primarily indexers — Bankers Trust Co. — Investment Management Group, New York; Wells Fargo Investment Advisors, San Francisco; and State Street Bank and Trust Co., Boston. Another indexer, Mellon Capital Management Corp., was fifth, following the quantitative Rosenberg Institutional Equity Management, Orinda, Calif. Two others in the Top 10, The Boston Co. Inc., Boston, and Northern Investment Management Co., Chicago, are big in indexed and structured strategies.

The rankings are derived from *Pensions & Investment Age*'s Scorecard survey of money managers, which tracks net asset growth for the year ended Dec. 1.

Much of Bankers Trust's growth has come about because of its ability to customize indexes to client needs, said Carol Kolakowski, manager-marketing support. Only about one-third of its $26.5 billion total domestic indexed equity business is in "plain vanilla" Standard & Poor's 500 Stock Index funds, and even some of that is screened for social issues, such as companies doing business in South Africa or Northern Ireland, or manufacturing alcohol or tobacco products.

Interest in indexing continues to expand beyond the traditional S&P 500 fund, agreed Peter Braun, State Street Bank vice president and director of marketing for asset management. Last year, the bank introduced an index of the next 500 largest-capitalization stocks beyond the S&P 500, he said. Also, he said he has seen lots of enthusiasm for small-stock and market-sector index funds.

The top new-business draw among mid-size firms, those with total assets under management of $250 million to $1 billion, was harder to identify, with the leaders representing a mix of fundamental and quantitative approaches.

Leading the list of equity managers with $250 million to $1 billion under management was Morgan Grenfell Capital Management Inc., New York, with $355 million in net new equity business. The firm, which is the U.S. equity management arm of Morgan Grenfell Asset Management Ltd., uses a bottom-up approach to identify emerging growth companies and a top-down approach to select economic sectors.

The second-place finisher, Brandywine Asset Management, Wilmington, Del., uses a combination of quantitative and qualitative factors to pick stocks with low price-to-earnings ratios, said Frank Frey, managing director. The firm invests in stocks with at least $50 million capitalization in the lowest 25% of the market's p/e range.

Ariel Capital Management Inc., Chicago, which uses Graham & Dodd analysis to pick undervalued, neglected stocks, came in third with $221 million. A highly quantitative firm, Franklin Asset Management Systems, San Mateo, Calif., finished fourth with $210 million in net new equity business.

Among managers with less than $250 million in total assets, Investment Research Co., Chicago, led gainers with $155 million. The firm uses a passive framework. Following with $115 million each were Fisher Investments Inc., Woodside, Calif., using a combination of quantitative and qualitative strategies; and Rampart Investment Management Co. Inc., Boston, which emphasizes option-hedged equity portfolios.

Although structured strategies attracted much of the new fixed-income business during the year as well, the top large firm — Bankers Trust, again — gained most of its business in active strategies.

In contrast to its largely indexed equity

Continued on page 35

GIC explosion creates boom for new business

By Fred Williams

The explosive growth in the use of guaranteed investment contracts by employee benefit plans has led to an equally dramatic increase in discretionary management of guaranteed investment vehicles during the past two years.

During 1988, the 10 leading managers in net new GIC business gained a total of $8.2 billion, according to *Pensions & Investment Age*'s Scorecard survey, which charts net gains by investment managers for the year ended Dec. 1.

Most GIC managers expect 1989 to show an even larger increase.

While competition among GIC managers is intense, most agree the driving force for the expansion in GIC assets under management is coming from a thriving defined contribution retirement plan industry, where employees are seeking a low volatility investment option with a steady stream of income.

Between 1984 and 1987, private defined benefit plan assets increased 38% while defined contribution assets grew 53%, according to the Employee Benefit Research Institute, Washington.

Morley Capital Management Inc., Lake Oswego, Ore., was the leader among GIC managers in net new business in 1988 with $2.17 billion. Morley was followed by PRIMCO Capital Management Inc., Louisville, Ky., with $1.8 billion and Bankers Trust Co. — Investment Management Group, New York, with $1.54 billion.

Since the 1988 *P&I Age* Scorecard is the first to measure only GIC managers and not insurance companies, there are no definite growth comparisons with previous years. The three non-insurer managers that were included in the 1987 Scorecard, however, displayed significant increases in new business. For example, Morley attracted $1.1 billion in 1987 for a two-year net gain of more than $3 billion. PRIMCO gained $1.4 billion in 1987 and $3.2 billion for the two-year period. Bankers Trust gained $960 million in 1987 and $2.5 billion for the two years.

Many firms on 1988's Top 10 list did not exist three years ago, and have grown along with the shift toward defined contribution pension plans.

"GIC management is a product that hasn't been around very long. There is naturally going to be growth because this is a new area," said Jerry Chafkin, vice president and manager-GIC investments at Bankers Trust.

"The first clients that sign on are willing to take the risk with a new concept and now others are starting to take a second look. There is a natural evolution here. We think 1989 will be even bigger than 1988 as far as GIC appointments. This is a defined contribution market. . . . That's where the growth and the future are."

According to most estimates, the total volume of GICs in employee benefit plans ranges from $150 billion to $200 billion, with about 10% of that actively managed by discretionary GIC managers. The balance is managed internally by plan executives either entirely or with placement assistance from consultants.

Larry Mylnechuck, senior vice president at Morley, said the firm's growth has been due largely to recognition by executives at large plans that managing a GIC portfolio has become more complex and time consuming, creating a need for full-time outside management.

"When you have $25 million or $30 million (managed internally), that's one thing; but when you have $500 million,

Continued on page 34

Score CARD

MOST NEW EQUITY BUSINESS (NET)

Top 10 managers over $1 billion

Firm	$ millions
Bankers Trust	4,778
Wells Fargo Investment Advisors	4,290
State Street Bank	2,900
Rosenberg Institutional Equity Mgmt.	1,496
Mellon Capital Mgmt.	920
Boston Co.	585
Columbus Circle Investors	545
Avatar Associates	425
Northern Investment Mgmt.	349
GAMCO Investors	302

Top 10 managers $250 mil. to $1 bil.

Firm	$ millions
Morgan Grenfell Capital Mgmt.	355
Brandywine Asset Mgmt.	268
Ariel Capital Mgmt.	221
Franklin Asset Mgmt.	210
Axe-Houghton	192
WEDGE Capital Mgmt.	160
Schaenen Wood & Associates	135
Chicago Group-Morgan Stanley Asset	92
BMI Capital	78
Parametric Portfolio Associates	55

Top 10 managers under $250 million

Firm	$ millions
Investment Research	155
Fisher Investments	115
Rampart Investment Mgmt.	115
JMC Capital Mgmt.	106
Capital Technology	88
LVM Capital Mgmt.	88
Wall Street Associates	53
American Income Plus	50
Derivative Markets Mgmt.	50
MTH Asset Mgmt.	50

Ruling may hurt minority firms

By Margaret Price

The U.S. Supreme Court ruling against a minority set-aside program in Richmond, Va., might make it more difficult for new minority-owned money management and brokerage firms to establish their businesses.

Minority or female-owned firms frequently have depended on at least some public fund contributions to gain size and stature. Now, some of these more aggressive managers feel the Supreme Court's ruling might have stunted not only their potential growth, but also the growth of new firms.

"A lot of (minorities) have been thinking about starting investment firms. But I think that some were counting on legislation to expand the pool of funds available to minority money managers," said John W. Rogers Jr., president of minority-owned Ariel Capital Management Inc., Chicago.

In the case of Richmond vs. Croson, the court effectively declared illegal any rigid quotas in the public sector's allocation of business contracts unless prior discrimination can be shown. The particular case involved Richmond's law that 30% of public works assets go to minority-owned construction companies.

In the views of a number of pension experts, the court's decree will have greater effect on minority-owned businesses than on pension fund sponsors.

There is no exact figure on the number of pension funds operating under formal or informal minority-hiring rules. In fact, Justin Beckett, marketing director of NCM Capital Management Group Inc., a minority-owned management firm in Durham, N.C., said he knows of "no statutory requirement in the country" that mandates specific set-asides of pension fund assets for minority money managers or brokers.

Traditionally, pension funds have been exempt from formal set-aside rules, at most following "guidelines." Few, if any, have used minority-owned manage-

Continued on page 38

CORRECTIONS & CLARIFICATIONS

- An incorrect salary figure was given in the Jan. 23 story on **Dale Hanson**, chief executive officer of the **California Public Employees' Retirement System.** Mr. Hanson's annual salary is $85,000.
- The defined contribution assets of **Shell Oil Co.** declined 2.9% during the year ended Sept. 30, not 8.5% as reported in the Jan. 23 issue. The error occurred because the 1987 defined contribution total included employee stock ownership plan assets that for 1988 were listed separately under "other."
- **ITT Corp.** has $2.602 billion in total employee benefit assets. The number, printed correctly in the profile, was listed incorrectly in the chart ranking the Top 200 pension funds Jan. 23. The correct number does not change ITT's rank.
- Several of the companies ranked in the Top 1,000 funds were listed in the wrong states. The companies, their rank, and proper locations follow: **Cummins Engine Co. Inc.**, No. 287, Columbus, Ind.; **Anchor Hocking Corp.**, No. 603, Lancaster, Ohio; **Gerber Products Co.**, No. 652, Fremont, Mich.; **Arvin Industries Inc.**, No. 818, Columbus, Ind.; and **Rubbermaid Inc.**, No. 874, Wooster, Ohio.
- **Investment Management Controls**' comparison figures in the Jan. 23 issue were for a 25-year period ended 1987, not a 20-year period. Also, IMC uses the Urban Consumer Price Index as the inflation rate and not the Treasury bill rate.
- In the Jan. 23 Datebook, the correct telephone number of **Wharton Executive Education Programs** for the April 9-10 and May 7-12 programs is (215) 898-1776.

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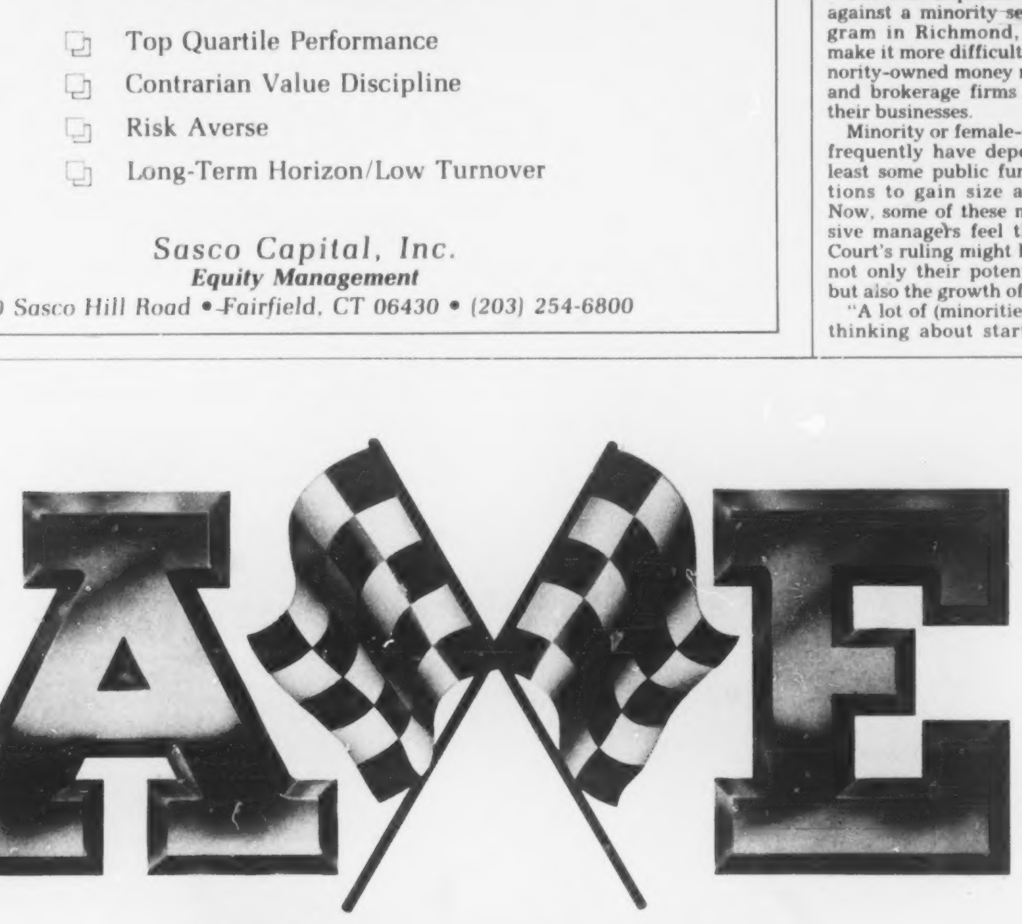

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PROPERTY

WRAP-UP

The Koppers Building in Pittsburgh was acquired by the United Trust Fund partnership.

Partnership buys 2 sites

MIAMI — The United Trust Fund Limited Partnership has acquired an office building and a retail site in separate transactions with a combined value of more than $60 million.

The limited partnership was formed in May 1988 with United Trust Fund, a Miami-based real estate firm specializing in corporate sale-leaseback transactions, serving as general partner and Metropolitan Life Insurance Co., New York, as limited partner.

Individual purchase prices for the properties were not released.

The office property, the Koppers Building, is a 32-story, 446,000-square-foot building in Pittsburgh. The site has served as the headquarters of Koppers Co. Inc. since 1929. The property was purchased from Beazer PLC, a British company that recently acquired Koppers.

Koppers is leasing the building, a designated landmark, for a period of 15 years.

During the past several months, United Trust Fund has focused on acquiring corporate real estate in the Northeast region of the United States, having purchased five such properties in transactions valued at more than $150 million.

The United Trust Fund partnership also acquired Pathmark Supermarket and Pharmacy, a 54,300-square-foot store in Bergenfield, N.J., from Supermarkets General Corp., the eighth largest private company in the country, with 1987 sales in excess of $5 billion. Supermarkets General is leasing the property for 35 years.

FDIC slates auction

NEW YORK — Just as owners of investment-quality jewelry and art have done for years, the Federal Deposit Insurance Corp. has contracted with Christie's auctioneers to try to sell more than 25 properties valued at more than $60 million.

The auction, to held March 9 at Christie's in New York, is a joint venture with Cushman & Wakefield. Office buildings, shopping centers, apartment complexes, hotels and land — many in the South and Southwest — are included in the auction. The properties are expected to fetch between $1 million and $25 million each.

Earl Reiss, executive vice president of Cushman & Wakefield, said his firm picked FDIC properties to be auctioned based on their potential for capital appreciation. The auction was proposed by Cushman & Wakefield officials to help the FDIC reduce its $400 million worth of real estate holdings acquired through bank failures.

Equitable picks chief

ATLANTA — Douglas A. Tibbitts has been named president of Equitable Real Estate Investment Management Inc., filling a post left vacant since George A. Puskar became chairman of the firm last summer.

Mr. Tibbitts had been senior vice president in charge of Equitable's Southwest region, based in Dallas, since 1982. He will be succeeded by Chuck Klepfer, previously responsible for acquisitions and new investment operation for the Dallas region.

As president, Mr. Tibbitts will be responsible for running day-to-day operations for the company, which has 12 regional offices. He is a member of Equitable Real Estate's executive management committee.

Crow partners depart

DALLAS — David Clossey and Raymond Golden have left Trammell Crow Co. and joined New York-based James D. Wolfensohn Inc., an investment banking boutique chaired by Paul Volcker, the former chairman of the Federal Reserve Board.

Messrs. Clossey and Golden were national partners in Crow; Mr. Clossey was also the firm's chief financial officer. Neither will have titles at Wolfensohn, a spokesman said.

Crow officials say the two men had completed their assignments and left Crow for greener pastures. But others privately say Messrs. Clossey and Golden — and especially Mr. Clossey — were forced out by partners who blame them for much of the turmoil and and many of the defections among key partners associated with the firm's two-year restructuring process. Both men were considered instrumental in that process, and Mr. Clossey was perceived as the hatchetman.

Messrs. Clossey and Golden did not return phone calls.

Trammell Crow is a partnership. Under the old system, partners could bring in other partners, who would then have the prestige of the Crow name — especially when seeking financing — but could operate with virtual autonomy. Under the new structure, several new levels of reporting intervened between the local partners and top management, and the ability of partners to take on partners on their own authority was restricted.

Occupancy rebounds

WASHINGTON — Office vacancies in North America averaged 18.3% at the end of 1988, down from 19.3% a year earlier, a survey by the Building Owners and Managers Association International shows.

The average vacancy rate in suburbs dropped to 22.7% from

Continued on page 20

Favored realty firms have special touch

By Andrew Reinbach

Institutional investors increasingly are moving toward specialty real estate investments and niche real estate money managers, *Pensions & Investment Age*'s annual Scorecard survey shows.

Scorecard tracks the net gains — excluding capital appreciation — in manager assets for the year ended Dec. 1.

The most dramatic gain was reported by Cabot, Cabot & Forbes Realty Investors. The firm, which began the reporting period with no assets under management, raised $720 million for a specialized fund made up of individual accounts. The fund will invest in properties that will benefit from demographic and market changes, and can include redevelopment of the properties.

"We're selling our approach to the market, but even if we buy a warehouse and don't plan to redevelop it, we buy where the area is going to improve and thus create added value," said John Malloy, senior vice president of Boston-based Cabot, Cabot & Forbes.

ScoreCARD

Most new real estate equity business

	$ millions
Equitable Real Estate Investment	1,199
Copley Real Estate Advisors*	1,163
Heitman Advisory	878
TCW Realty Advisors	779
Cabot, Cabot & Forbes Realty Advisors	720
Lehndorff & Babson Real Estate Counsel	704
Richard Ellis	669
O'Connor Group	378
Boston Co.	304
PSI Institutional Realty	229

*As of Sept. 30

Pension funds that committed assets to the fund include BellSouth Corp., Bechtel Power Corp., IBM Corp., Shell Oil Co., Eastman Kodak Co. and Massachusetts Pensions Reserve Investment Management Board.

Another specialized approach resulted in a $1.163 billion net gain for Copley Real Estate Advisors, Boston.

Most of its 1988 growth came from the closing of its $535.5 million Copley Institutional Investors Fund II, a closed-end commingled fund that invests in warehouse development in the corridor between Boston and Washington and in California. Among the investors committing assets to Copley are State of Connecticut Trust Funds, Phelps Dodge Corp.'s pension fund and the Rockefeller Foundation.

Another indication of the trend toward specialty managers is the $229 million invested in PSI Institutional Realty Inc., a division of Glendale, Calif.-based Public Storage Inc. PSI builds miniwarehouses and offers both targeted and general commingled accounts.

William J. Chadwick, PSI's president, said about $110 million of the net new assets came from new accounts, while $119 million was from existing clients. New PSI investors in 1988 included Oregon Public Employes Retirement System, Pennsylvania State Employes' Retirement System and the Los Angeles County Retirement Association.

Asked why PSI is successful at attracting investors, Mr. Chadwick said: "Historically, we have been able to deliver on our promises. I don't believe in pro formas; if I really knew where inflation was going to be in the next 10 years, I'd be doing something else. But when we've offered projections, we've delivered on them."

Mr. Chadwick's comments underscored consultant Stephen E. Roulac's contention that the gap between manager promises and reality is adversely affecting the pension fund market for real estate investments.

"There's been an overall concern about real estate among plan sponsors because of the portfolio write-downs that have occurred as well as the general future of real estate, as well as some disappointment in

Continued on page 20

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January 6, 1989

WRAP-UP

Continued from page 19

24.8% during the one-year period, while the average downtown rate remained at 16.8%, according to the BOMA report. The Northeast had the most competitive margins; the central part of the country, the softest.

The BOMA survey was done in 30 metropolitan areas representing more than 1 billion square feet of office space.

Chicago sets record

CHICAGO — The Chicago office market absorbed a record-setting amount of space during 1988, although the year finished on a downward trend, according to a report from Julien J. Studley Inc.

Office space absorption in the suburban market, however, was down significantly from 1987's levels.

The report shows 9.3 million square feet of office space was leased in the downtown Chicago market during the year, up 5% from 1987. While there was 4.1 million square feet leased in new buildings, absorption in older buildings was up 10% from the previous year.

By submarket, leasing activity was highest in the Loop West End, where 32% of the available space was leased, followed by Michigan Ave., 25%; Central Loop, 16%; and Near North, 13%.

The November/December period, however, with its absorption of 1.2 million square feet of office space, was the second lowest period of the year and down 13% from the same period of 1987.

Absorption activity in the suburbs during 1988 fell 33% from the previous year's level, as only 3.4 million square feet of total space was leased.

The year finished on an high note in the suburbs, as the November/December period, with its 916,835-square-feet of leased space, showed a 12.8% from the same period of 1987.

New division formed

FOSTER CITY, Calif. — Metric Partners has hired K.C. Swartzel as senior vice president of its newly formed real estate investment banking group, which will provide consulting, disposition and capital markets services to institutions, corporations and developers.

Mr. Swartzel previously was vice president of real estate dispositions for American Equity Managers Corp. The investment banking group will be part of Metric Partners' subsidiary, MP Realty Services. Metric Partners is an affiliate of Metropolitan Life Insurance Co.

Global T.E.A.M. set

SCOTTSDALE, Ariz. — The International Real Estate Institute has established an international consulting service to provide real estate expertise on existing or proposed projects.

Technical Evaluation and Advisory Management will analyze the real estate project and give recommendations on how to make it profitable, explained Robert G. Johnson, executive director of the 10,000-member Scottsdale, Ariz.-based organization.

Special

Continued from page 19

the results produced by the managers compared with what they promised," said Mr. Roulac, managing partner of Roulac Real Estate Consulting, San Francisco, a division of Deloitte, Haskins & Sells.

Real estate managers are disappointing Mr. Roulac. "We'd like to see a much stronger focus on a strategic approach, and moving away from building picking," he said.

Asked about what will happen if managers continue to fail to invest all the dollars committed to them in particular years Mr. Roulac said, "Eventually, if (the plans) are putting out money and it's not being invested, they'll pull out of the allocation."

This could occur this year. "A lot depends on what happens in the stock market," he said.

This will be a difficult year for real estate investment managers because it's tough to find acceptable properties, said Harry D. Pierandri, senior executive vice president of Equitable Real Estate Investment Management Inc., Atlanta. Equitable reported the largest net gain in real estate assets — about $1.2 billion during the year ended Dec. 1.

"I don't even know if there's a definition" of institutional-quality real estate these days, he said.

"It's going to be a tough market, and the people who do well will be those who block and tackle well," said Mr. Pierandri, a former football player. "A lot of things can bail you out of bad real estate (such as inflation) but the market won't forgive that like it used to. If you put something out (like a promise) and you can't come up with it, it comes around and bites you."

In aggregate, net gains among managers participating in this year's Scorecard decreased about one-third over net gains among managers participating in last year's Scorecard.

Managers received additional commitments of $7.27 billion in the year ended Dec. 1, compared with $10.85 billion committed to real estate managers in last year's survey. ■

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Developer: Henry Faison Associates

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Developer: Henry Faison Associates

Pioneer Place
Portland, OR
Mixed use, retail/office complex
Developer: The Rouse Company

Wyndham Hotel
Milwaukee, WI
10 story, 220 room hotel
Developer: Trammell Crow

HDS Plaza
San Bernardino, CA
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Stock indexing back on top

By Margaret Price

International stock index funds, whose popularity had been eclipsed by foreign bond investments in 1987, recaptured the limelight during the 12 months ended Dec. 1, according to *Pensions & Investment Age*'s Scorecard survey of investment managers' new business.

Three of the nation's largest managers of indexed funds — Wells Fargo Investment Advisors, State Street Bank and Trust Co. and Bankers Trust Co. were the top three in net gain in new international/global business. While index funds accounted for the popularity of Wells Fargo and State Street, clients of Bankers Trust were attracted to both active and passive strategies.

Disillusionment with active managers' performances, coupled with fears about market conditions, fueled indexing's popularity.

After five years of underperforming the Morgan Stanley Capital International Europe Australia Far East Index, active money managers as a group already were on the defensive when they were hit with the added blow of the 1987 stock market crash. That development encouraged sponsors "to take fewer chances with active managers," said Jeff Skelton, vice chairman at Wells Fargo Investment Advisors, San Francisco.

But few sponsors want completely active or passive foreign portfolio management, said Michael Phillips, consulting director of Frank Russell Co., Tacoma, Wash.

When pension sponsors decide to invest abroad "usually they'll put about one-third of their money into passively managed funds." But even within that category, "there are a number of ways money can be managed passively," he said, pointing in particular to customized country weightings.

ScoreCARD

Most new international/global business

	Total	Equity	Fixed
Wells Fargo	1,035	948	87
State Street Bank	920	915	5
Bankers Trust	416	384	32
Warburg Investment	323	23	300
J.P. Morgan	308	−29	337
Boston Int'l Advisors	292	292	0
Nomura	284	284	0
Morgan Stanley	225	107	118
Prudential	224	−150	374
Nikko Capital (U.S.A.)	217	217	0

Wells Fargo is responding to the wishes. Although Mr. Skelton calls the firm's management style entirely "passive or passively related," for the first time last year, the firm employed an "active tilt" with $150 million of its net international asset gain invested in Wells Fargo's new Japan Tactical Asset Allocation and its Japan Tilted Index funds.

In the 12-month period, Wells Fargo attracted $1.035 billion in net new international and global business from five new clients, none of which was identified for publication.

(Under Scorecard requirements, managers must identify new clients in order to be included in the survey, but may request the names not be published.)

Last year, about 70% of State Street Bank's $920 million in new international business went into indexed accounts. The executives at the bank, whose new international clients include such organizations as the Seattle City Employees' Retirement System Sun Co. and Baxter International Inc. expect to see a "significant increase in assets committed to" tilt strategies, said Peter Braun, the firm's vice president and director of marketing and sales. He believes the hybrid approach allows money managers to enhance returns while minimizing the possibilities for investing error.

In 1988, State Street Bank's stock selection strategy — which stresses individual securities on a fundamental basis relative to other stocks in the same country and industry — returned 34.6% compared with the EAFE's 28.3% (with net dividends reinvested), said Mr. Braun. Moreover, he said the firm's country selection strategy — a quantitative system of determining relative attractiveness among individual country markets — returned an annualized 43% for the past three years compared with EAFE's 39.4%.

During his interview, Mr. Braun said the firm's total on the survey questionnaire had omitted $150 million in new assets from IBM Corp., which would bring its total net gain in international assets to $1.07 billion for the 12 months.

Third-place Bankers Trust provided the best example of mix-and-match foreign investing. Besides its top-down active investment style, the firm offers a proprietary passive management process that employs fewer stocks than does the EAFE index but has a bias toward higher capitalization stocks than the EAFE. "We do a lot of customization," said Sally Conover, Bankers' assistant treasurer and marketing manager. She pointed out, for instance, the firm

Continued on page 26

Firms boost Japan

Weightings still far below the index

By Curtis Vosti

International managers moved more heavily into Japanese equities during the fourth quarter, slightly lessening investments in other Pacific Basin countries, the United Kingdom, other markets and cash, according to The World Markets Co., Edinburgh, Scotland.

With 101 managers out of a universe of 118 responding, the weighted average holdings in Japan increased to 36% at year end from 31% at the end of the third quarter and 28% at the end of 1987. The average holdings in other Pacific Basin countries dropped to 10% in the fourth quarter from 11% at the end of the third; in the United Kingdom to 13% from 14%, and in other markets to 2% from 4%.

Average weightings in continental Europe rose to 30% in the fourth quarter from 29% at the end of the third quarter.

Cash holdings dropped to 9% from 1[illegible]% at the end of the third quarter and 17% at the end of 1987.

Despite the gain in Japanese holdings, the managers' average weighting still is far below that of the Morgan Stanley Capital International Europe Australia Far East Index.

The EAFE's weighting for Japan increased to 64.7% in the fourth quarter — the largest in the index — from 62.9 in the third quarter and 61.4% at the end of 1987. The index weighting for other Pacific Basin countries dropped to 4% from 4.6%; for the United Kingdom, to 11.6% from 12.7%; and for the Continent, to 19.6% from 19.8%.

The underweighting in Japan for most portfolios has been cited as the major reason for active international managers' underperformance of the EAFE. As reported by The Frank Russell Co., Tacoma, Wash., the Japanese market returned 35.5% for the year in U.S. dollar terms. In the same terms, the Singapore market returned 33.3%; the Hong Kong market returned 28%; Australia, 38.1%; and New Zealand, −12.3%.

Not since 1983 has the median international equity manager in Frank Russell's 13[illegible]-portfolio universe outperformed the EAFE for a calender year.

In 1988, according to the World Markets survey, the median performance for international equity managers was 11.1% in the fourth quarter and 14.7% for the year. The EAFE returned 15.8% for the quarter and 28.9% for the year, according to Pensions & Investments' Performance Evaluation Report.

But an EAFE-matched weighting doesn't guarantee success in beating the index.

Pacific Enterprises Inc., Los Angeles, has $46 million of its $813 million in defined benefits invested internationally.

"We run Pacific Basin money, very heavily weighted in Japan," said Thomas Rollinger, assistant treasurer. The fund's investments — with Daiwa International Capital Management Corp. and Nikko & Associates Inc., both New York-based subsidiaries of Japanese firms — are more than than 90% weighted in Japan, he said.

"Neither Daiwa or Nikko for us is beating EAFE in 1988," Mr. Rollinger said. "It (the underperformance of EAFE) has to be sector weighting or stock selection. We don't sit on any cash."

In perspective, however, he said the returns are excellent.

"The performance on an absolute basis has been tremendous," Mr. Rollinger said. "We tripled our international investments in 2½ years" because of performance. He did not release performance figures.

He said a fairer comparison is not just with the EAFE index, but also comparisons with peer investors and expected returns.

"There's no question our managers are under EAFE," he said. "But by any measure, those funds are substantially ahead of what these funds would have returned in domestic equities. We'd have a hard time kicking them in the pants just because they weren't beating EAFE."

The EAFE composite portfolio managed by Nomura Capital Management, New York, has an

Continued on page 26

Geographic asset allocation of non-U.S. portfolios

	Weighted average		EAFE	
Country/region	4th qtr.	3rd qtr.	4th qtr.	3rd qtr.
Japan	36%	31%	64.7%	62.9%
Other Pacific Basin	10	11	4	4.6
United Kingdom	13	14	11.6	12.7
Continental Europe	30	29	19.6	19.8
U.S. cash	9	11	NA	NA

Source: World Markets Co. and Morgan Stanley & Co.

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Japan weighting

Continued from page 25

average 54.8% weighting in Japan, according to Brian Fitzgibbon, senior vice president. The portfolio returned 10.9% for the fourth quarter and 15.8% for the year.

"We're a value manager, so we're looking for stocks with certain characteristics," he said. "There are two separate issues: weighting in Japan and where you are investing in Japan," he said.

George Jamgochian, of UBS Phillips & Drew International Investment Inc., New York, said its international investments returned 11.5% for the fourth quarter and 21.9% for the year.

"The principal reason for underperformance has been due to our underweighting in Japan (35%) and the stock selection in Japan," he said. "In 1988, the Japanese market was primarily driven by many of the large capitalization, high multiple stocks selling at peak cyclical earnings, with what we felt were dubious asset value stories."

Mr. Jamgochian said the firm holds about 22% of its portfolio in the United Kingdom. He is positive on European investments, in light of the intent to create a unified market there by 1992.

"We think those markets and economies should do quite well," he said. "The effects of 1992 will help them work with greater harmonization, there should be some sort of synergistic effect."

But underperformance is not only due to underweighting in Japan, according to Heydon Traub, assistant vice president for State Street Bank and Trust Co., Boston.

"A great part of the underperformance is because of underperformance within countries," he said, also citing overseas transaction costs and the difficulties of doing thorough analysis of the 18 different countries in the EAFE.

State Street has two tilted international funds: a less aggressive approach and a more aggressive approach, he said. In the less aggressive approach, they are they about 1% underweighted in Japan; in the more aggressive, they are 14% to 15% underweighted.

In the less aggressive approach, State Street is overweighted in Norway (compared with EAFE) by four percentage points, and Norway was one of the best performing countries for the year, with a 26.5% fourth quarter performance, in U.S. dollar terms, and a 39.8% return in 1988, according to Morgan Stanley & Co. Inc., New York.

The less aggressive fund was up 16.6% in the fourth quarter and 30.2% for the year, Mr. Traub said.

Kemper-Murray Johnstone International Inc., with offices in Chicago and Glasgow, Scotland, increased its Japanese exposure in the fourth quarter, to 34.2%, from 28.2% at the end of the third quarter. Kemper-Murray also raised its exposure to other Pacific Basin countries at the expense of European investments.

In Hong Kong, Kemper-Murray's weighting jumped to 5.5% by mid-January, compared with 3.5% at the end of the third quarter. In Singapore, Kemper-Murray increased its stake to 4.5% from 3%, and in Australia, to 3.3% from 2.2%.

Kemper-Murray reported decreases in its West German weightings, to 8.7% from 12.4%, and its Swiss holdings, to 5.6% from 7.8%. Other decreases included the United Kingdom, France and the Netherlands.

The average performance fo Kemper-Murray Johnstone's sep arate international equity ac counts was 9.5% for the fourt quarter and 22.7% for the year.

Although it has decreased it weighting in West Germany Kemper-Murray remains far abov the EAFE's 4.3% weighting, believ ing the German market is cheap an steady growth is expected.

Similarly, although the firm in creased its Japanese weightings, remains underweighted compare with the EAFE, because it think the market is overvalued.

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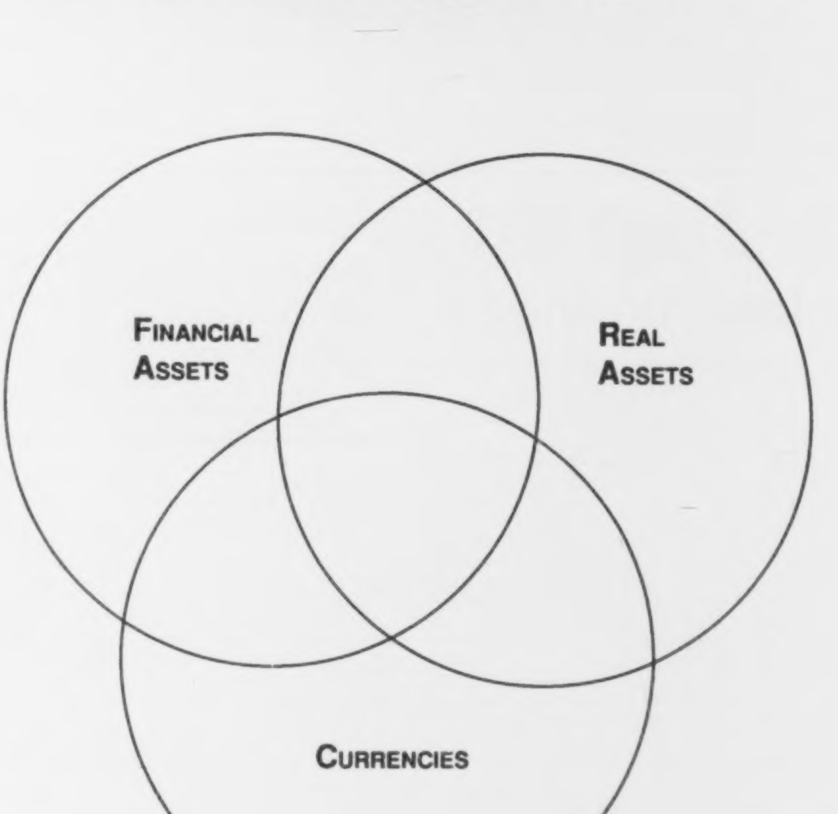

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CHASE

Chase Investors Management Corporation, New York
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On top

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offers four separate countr funds.

For Bankers Trust, 1988 mark the second year it had a U.S. clie office focused on international i vesting for U.S. tax-exempt client That contributed to substanti growth in international mon under management last year, sa Ms. Conover. Among its new clien were the National Telephone Coo erative Association, the Memph Light, Gas and Water Division Pe sion System and the Tacoma (Was Employees Retirement System.

During 1988, Banker's activ international commingled equi fund posted a 16.1% return, whi its passively managed commin gled international equities poste a 29.06% return and the retur on a representative global fixe income account rose 6.1%. Com paratively, the Salomon Brothe World Government Bond Inde returned 9.96% for the period.

Although eclipsed by indexin overall, foreign bond investin clearly was a boon to some activ managers, such as Warburg Inves ment Management Internationa Ltd. and J.P. Morgan Investme Management Inc., which place third and fourth, respectively.

They benefited in part from tw trends in foreign bond investin the continuing dearth of close followed foreign bond indexe and the opinion of some investo that bond investing is less compli cated than stock investing.

' For her part, Carolyn Syke director of Warburg Investme Management International, ex pects to see continuing growth i foreign fixed-income investment partly because of the mountin interest in hedging against foreig currency risks.

"Traditionally, returns o bonds have been more currency sensitive than that on equities, she said. "Salomon Brothers ha been spearheading a hedged ap proach to international bond in vesting which produces conside able risk reduction benefits. Tha development should help encou age the growth of hedged interna tional bond investing."

Warburg's $300 million in ne global fixed-income assets (ac counting for most of its $323 mil lion net gain overall) came fro one client — the California Publi Employees' Retirement System.

Another previously unreporte $25 million came from a univer sity endowment, Ms. Sykes said.

The firm reported a 13.93% per formance gain for all global eq uity accounts last year.

J.P. Morgan reported it receive five new clients for international global investing last year, none o which could be named.

P&I Age's Scorecard represent responses from 258 firms. They re ported receiving a total of $4.66 billion in net new global/interna tional funds, including $3.62 billion in equities and $1.035 billio in fixed-income investments. Tha total was down from about $ billion, almost all in equities, for th first 11 months of 1987.

GIC spreads at lowest point in year

By Fred Williams

Quality spreads for insurance company guaranteed investment contracts over Treasury securities narrowed to their lowest point in more than a year by the end of 1988, as yields on most contracts increased along with rising interest rates throughout the year.

According to Dietrich & Associates, a GIC brokerage firm in Blue Bell, Pa., a representative five-year, $1 million simple interest contract was yielding 9.4% Dec. 1, and a Treasury note of the same maturity was yielding 8.97%. On Dec. 9, 1987, the GIC was yielding 9.28% while the Treasury note was at 8.59%.

The yield curve became inverted during the final months of 1988 as shorter term fixed-income securities were yielding more than longer term instruments.

"The inverted yield curve means you are seeing insurance companies which are normally aggressive in the middle maturities quoting the same rate for three-, five- or seven-year contracts," said Mark Hanley, senior vice president of Brentwood Asset Advisors, a GIC consulting and brokerage firm in Beverly Hills, Calif. "Unless you really need a six- or five-year contract in your portfolio, most intelligent men will go three years each time."

The ongoing capacity problems faced by GIC issuers is expected to continue during 1989. "Things will get tighter and tighter, regardless of interest rates, the characteristics of the marketplace will be such that carriers will have narrower capacity restraints. Already they are facing more rigid underwriting requirements. It is becoming more important to negotiate strongly and search the market very carefully," Mr. Hanley said.

As the yield curve inverted in the second half of 1988, shorter term contracts became more attractive along with adjustable-rate contracts, said Tom Marthaler, GIC portfolio manager at CTT Investment Management Group, Chicago.

Mr. Marthaler said spreads on five-year bullet contracts over Treasuries narrowed from 75 to 100 basis points in January 1988 to 25 to 50 basis points by the end of the year.

He said the GIC environment in 1989 "will be a lot like the last half of 1988. The purchasing of contracts will be difficult if you're looking for spreads. We don't look for spreads to begin to widen again unless we get into a recession."

Gary Mink, president of the Mink Organization, a Rochester, N.Y., GIC consultant and brokerage firm, said 1989 "should be another big year. Interest rates will keep going up until about May and then we should see about a 1% downward movement in short-term rates. A lot of plans should consider forward commitments in their GIC portfolios. By buying a contract now, you can get nearly a 20-basis-point premium on a $5 million bullet contract. It helps the carrier with his cash flow anticipation and you are able to lock in a rate." Forward commitments allow a purchaser to commit to a contract and fund it at a later time.

John Knight, president of Lamberson Knight GIC Inc., a Short Hills, N.J., GIC broker, said insurance companies are taking measures to prevent a capacity shortage at the end of the year by spreading capacity requirements throughout the year.

"We've heard a lot of companies going into the year with their allocation of GICs more closely watched. If they have $600 million in capacity, they will try to spread it out over the entire year. A lot of carriers are getting more creative in the types of contracts they offer. Some are now offering a stepped payout — where principal and interest are paid out over the 3- to 5-year term of the contract," he said.

Insurance company rate quotations on representative five-year, single-deposit, simple interest, $1 million GICs as of Dec. 29 and Sept. 30, as provided by Lamberson Knight and GIC Inc. are:

- Allstate Life Insurance Cos., Northbrook, Ill.: Dec. 29, no quote; Sept. 30., 9%.
- American United Life Insurance Co., Indianapolis: 9.4%; 8.8%.
- Banker's Life Assurance Co., Des Moines, Iowa: 8.95%; 8.67%.
- Canada Life Assurance Co., Toronto: 9.43%; 9.01%.
- CNA Insurance Co., Chicago: 8.94%; 8.6%.
- Confederation Life Insurance Co., Atlanta: 9.47%; 9.25%.
- Connecticut Mutual Life Insurance Co., Hartford, Conn.: 9.5%; 8.98%.
- Continental Assurance Co., Chicago: 9.09%; 8.59%.
- Crown Life Insurance Co., Toronto: 9.25%; 8.79%.
- Great West Life Assurance Co., Denver: 9.08%; 8.73%.
- Hartford Life Insurance Co., Hartford: 9.39%; 9.09%.
- Home Life Insurance Co., New York: 9.59%; 8.78%.
- John Hancock Mutual Life Insurance Co., Boston: 9.59%; 8.81%.
- Life Insurance Co. of Georgia, Atlanta: 9.34%; 9.05%.
- Life Insurance Co. of Virginia, Richmond: 9.32%; 9.02%.
- Lincoln National Pension Insurance Co., Fort Wayne, Ind.: 9.36%; 8.99%.

Continued on page 30

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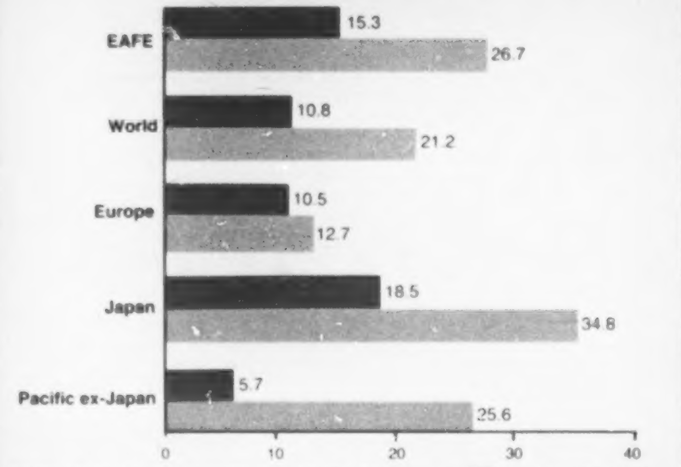
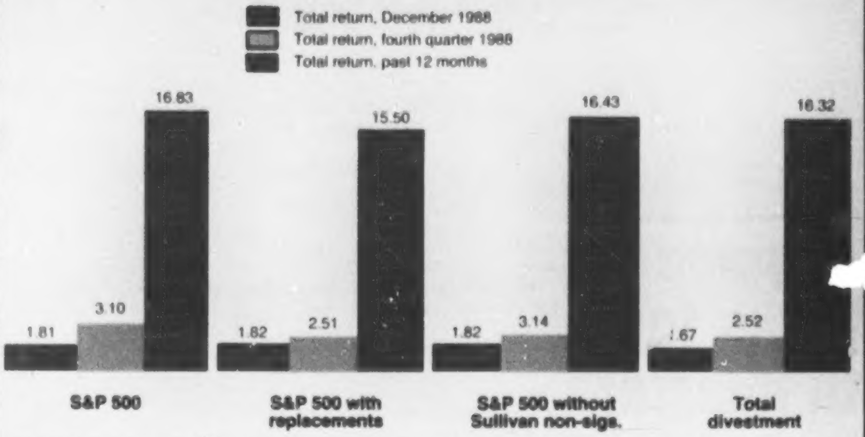
STATISTICALLY SPEAKING

Morgan Stanley Capital International worldwide indexes



Source: Morgan Stanley Capital International, New York
Indexes are in U.S. dollar terms without dividends reinvested

South Africa Free Index

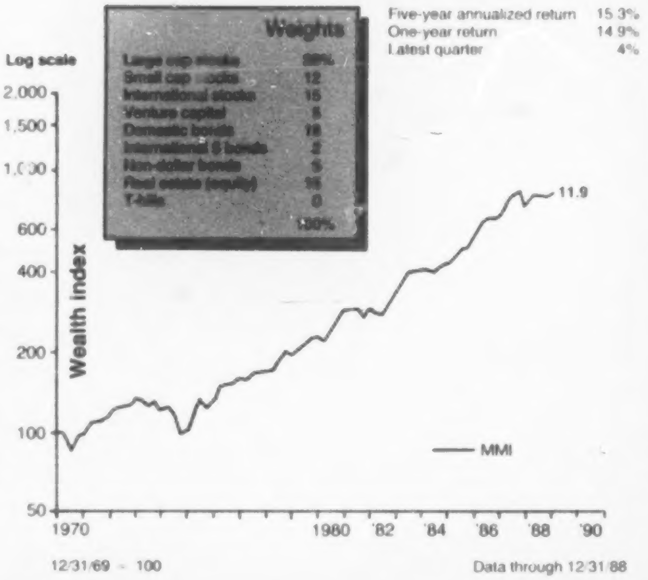


S&P 500 with replacements: replaces a South Africa-related company with next largest company in the industry. **S&P 500 without Sullivan non-signatories:** excludes 6 companies, no replacements. **Total divestment:** eliminates all companies with South Africa involvement, no replacements.

Source: Wilshire Associates, Santa Monica, Calif.

Multiple Markets Index

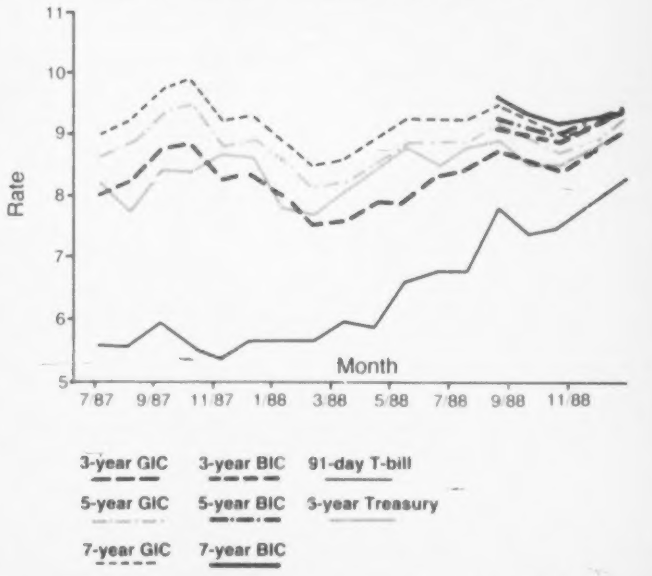
The Multiple Markets Index is a benchmark for total portfolio returns. It is composed of eight asset classes used by retirement plan executives; it is calibrated to reflect the same degree of risk of the typical pension portfolio; it uses passive fixed policy weights; and it represents the individual asset classes by the broadest and most complete market return data available.



Source: First Chicago Investment Advisors, Chicago

Summary of average GIC & BIC data vs. market yields

(Bullet, compound $1 million contract)



Source: William M. Mercer Meidinger Hansen Asset Planning Inc., Dallas

Fourth quarter 1988 returns

	Russell 3000®	Russell 1000®	Russell 1000® by market capitalization				Russell 2000®
			Large	Medium/large	Medium	Medium/small	
Technology	1.7%	1.9%	4.7%	-2.2%	-1%	-1.7%	-0.2%
Health care	1	1.6	1.8	3.2	-1.1	-1.3	-4.3
Consumer discretionary	0.7	0.7	2.3	0.3	2.5	-2.5	0.2
Consumer staples	12.1	12.5	11.5	18.1	3	1.1	0.5
Integrated oils	3.5	3.5	3.7	3.3	1.4	1.2	7.1
Other energy	3.4	4	0	2.5	6.3	1.5	-1
Materials and processing	1.5	1.9	5.3	2.2	0	2.1	-1.2
Producer durables	-0.2	-0.2	-2.8	1.3	0.5	-2.7	-0.7
Auto and transportation	4.2	4.6	6.2	3.9	3.1	4.3	-1.4
Financial services	-3.3	-3.4	-0.3	-4.4	-3.6	-3.3	-2.7
Utilities	3.7	3.6	3.2	4.3	2.7	5.3	6.2
Total	2.3	2.5	4.2	2.8	0.7	0.1	-0.6

Source: Frank Russell Co., Tacoma, Wash.

Narrow spreads

Continued from page 28

- Massachusetts Mutual Life Insurance Co., Springfield: 9.14%; 8.77%.
- Minnesota Mutual Life Insurance Co., St. Paul: 9.68%; 9.04%.
- Mutual Benefit Life Insurance Co., Newark, N.J.: 9.3%; 8.95%.
- Mutual of New York, New York: 9.37%; 8.95%.
- New England Mutual Life Insurance Co., Boston: 9.21%; 8.91%.
- New York Life Insurance Co., New York: 9.2%; 8.85%.
- Ohio National Life Insurance Co., Cincinnati: 9.5%; 9.16%.
- Pacific Mutual Life Insurance Co., Newport Beach, Calif.: 8.9%; 8.13%.
- Pan American Life Insurance Co., New Orleans: 9.49%; 9.09%.
- Penn Mutual Life Insurance Co., Philadelphia: 9.57%; 9.13%.
- Phoenix Mutual Life Insurance Co., Hartford: 9.38%; 8.89%.
- Provident Mutual Life Insurance Co., Philadelphia: 9.41%; 8.94%.
- Provident National Assurance Co., Chattanooga, Tenn.: 8.54%; 8.48%.
- SAFECO Corp., Seattle: no quote; 9.05%.
- Southwestern Life Insurance Co., Dallas: 9.47%; 9.17%.
- State Mutual of America, Worchester, Mass.: 9.4%; 8.65%.
- Transamerica Life Insurance Co., Los Angeles: 9.19%; 8.97%.

William M. Mercer Meidinger Hansen Asset Planning, Chicago, surveys insurance companies for rate quotations and provided the following summary of various bullet GICs for December:

- Three-year, $1 million, compound: high, 9.5%; low, 8.04%; average, 9.13%.
- Three-year, $1 million, simple: high, 9.59%; low, 8.04%; average, 9.11%.
- Five-year, $1 million, compound: high, 9.73%; low, 8.64%; average, 9.35%.
- Five-year, $1 million, simple: high, 9.74%; low, 8.64%; average, 9.33%.
- Seven-year, $1 million, compound: high, 9.78%; low, 8.62%; average, 9.42%.
- Seven-year, $1 million, simple: high, 9.76%; low, 8.78%; average, 9.4%.
- Three-year, $5 million, compound: high, 9.55%; low, 8.24%; average, 9.19%.
- Three-year, $5 million, simple: high, 9.54%; low, 8.24%; average, 9.18%.
- Five-year, $5 million, compound: high, 9.73%; low, 8.64%; average, 9.4%.
- Five-year, $5 million, simple: high, 9.71%; low, 8.64%; average, 9.38%.
- Seven-year, $5 million, compound: high, 9.78%; low, 8.98%; average, 9.47%.
- Seven-year, $5 million, simple: high, 9.79%; low, 8.88%; average, 9.46%.

Dietrich & Associates provided the following rate spread data between a $1 million, five-year, simple-interest GIC and the average Treasury note of the same maturity for the fourth quarter of 1988:

- Oct. 3: GIC, 9.15%; Treasury, 8.64%.
- Nov. 1: 9%; 8.32%.
- Dec. 1: 9.4%; 8.97%.

Mercer Meidinger Hansen also surveys banks for rate quotations on guaranteed instruments. Quotations for three- and five-yea bullet BICs for December are:

- Three-year, $1 million, simple: high, 9.69%; low, 9.44%; average, 9.53%.
- Three-year, $1 million, compound: 9.69%; low, 9.22%; average, 9.44%.
- Three-year, $5 million, simple: high, 9.71%; low, 9.25%; average, 9.49%.
- Three-year, $5 million, compound: high, 9.71%; low, 9.22% average, 9.44%.
- Five-year, $1 million, simple 9.74%; low, 9.45%; average 9.57%.
- Five-year, $1 million, compound: 9.74%; low, 9.22%; average, 9.48%.
- Five-year, $5 million, simple high, 9.79%; low, 9.23%; average 9.51%.
- Five-year, $5 million, compound: high, 9.79%; low, 9.22% average, 9.47%.

Consumer stocks top 4th quarter

By Trudy Ring

KANSAS CITY, Mo. — Stocks sensitive to consumer spending led the equity market in the fourth quarter, while Canadian bonds topped other fixed-income sectors, according to DeMarche Associates Inc.

Consumer spending stocks gained 4.1% in price in the quarter, while the Standard & Poor's 500 Stock Index was up 1.8% on a price-only basis. The index had total return of 3.1% in the quarter.

The consumer spending sector also led the stock market for the year, with a price gain of 20.8%. The S&P 500 was up 11.8% on a price-only basis and 16.6% on a total return basis. All stock returns, except where noted, are price only, without dividends. Total return includes dividends for stocks and coupon payments for bonds.

The sector consists of stocks in the food and beverage, tobacco, media, retail, lodging and restaurant industries.

Energy stocks had the second best performance for both the quarter and year, with 3.1% and 13.9% respectively. The sector includes domestic and international oil companies and oil service and equipment companies.

Basic industry stocks gained 2.1% for the quarter and 10.4% for the year. The sector consists of metals, automotive, transportation and building materials industries.

Technology stocks gained 1% in the quarter and 2.3% in the year. This sector has aerospace, drug, electronics and office equipment companies.

Stocks sensitive to interest rates had −0.9% in the quarter and a gain of 12% for the year. The sector consists mainly of utilities and financial services companies.

The 10 top-gaining industries in the quarter were tobacco, with 26.2%; aluminum and copper, 9.1%; food packagers and processors, 7.7%; textiles — products and apparel, 7%; automotive manufacturers, 5.7%; steel, 5.2%; air transportation, 4.5%; domestic oil, 4%; rail transportation, 3.9%; and consumer household products, 3.4%.

The 10 worst-performing industries were banks, −7.5%; insurance, −5%; consumer durables, −4.7%; building materials, −3.5%; consumer non-durables, −3%; automotive accessories, −2.1%; finance — miscellaneous, −1.8%; aerospace, −0.9%; electronics, −0.4%; and special machinery, −0.4%.

Continued on page 31

Median performance mixed

WAYNE, Pa. — The median eq- y fund in SEI Funds Evalua- n Services' universe returned % in the fourth quarter, lag- g the 3.1% return of the Stan- rd & Poor's 500 Stock Index.

he median bond fund returned %, outperforming both major nd indexes. The Shearson Leh- n Hutton Government/Corpo- te Bond Index returned 1% and Salomon Brothers Broad In- stment Grade Bond Index re- ned 0.8%.

he median equity-only portion balanced funds also lagged the P 500, returning 2.5%. The me- n bond-only portion of ba- nced funds returned 0.8%, tching the Salomon BIG but iling the Shearson Lehman tton index. The median total balanced fund returned 1.8%.

For the year, the median equity fund returned 16.8%, slightly outperforming the S&P 500's 16.6%.

The median bond fund returned 7.9%, while the Salomon BIG index had 8% and the Shearson Lehman Hutton index, 7.6%.

The median equity-only portion of balanced funds returned 17.5% and the median bond-only portion returned 7.3%. The median total balanced fund returned 11.3%.

For the five years ended Dec. 31, the median equity fund had a compound annualized return of 13.6%, while the S&P 500 had 15.3%.

The median bond fund had an annualized 11.9%, while the Salomon BIG index had 12.5% and the Shearson Lehman Hutton index, 12.2%.

The median equity-only portion of balanced funds had an annualized 14.4% for the five-year period and the median bond-only portion had 11.9%. The median total balanced fund had 13%.

The universe, compiled by SEI Corp., Wayne, has more than 8,500 portfolios with a total of $550 billion in assets. The portfolio returns are submitted by master trustees of pension funds.

According to SEI's analysis of stock market sectors, consumer staples stocks had the best return for the fourth quarter, with 9.3%. The top performers for the year were consumer discretionary stocks, with 28.3%.

The quarter's poorest-performing sector was finance, with −4.5%. Poorest for the year was technology, with 3.7%.

In the bond market, government and agency bonds did best in the quarter, with 1%, while mortgage-backed securities and industrial bonds tied for the worst return, 0.3%. For the year, utility bonds had the best return, 10.7%, and governments and agencies had the worst, 7.1%.

SEI bases its bond market analysis on the Salomon BIG index, which has 4,854 issues. In the fourth quarter, the index had average maturity of 9.6 years and average effective duration of 4.4 years. Treasury and agency issues made up 54.2% of the market value of the index, mortgage-backed securities, 26.2% and corporates, including utility, financial and industrial issues, 19.6%. The overall index quality rating was comparable to that of agency issues, which are not formally rated but are considered very high-grade securities, just below Treasuries.

As ranked by quality, BBB rated bonds had the best return for the quarter, with 0.9%, and year, with 10.7%. As ranked by maturity, long bonds did best for the quarter, with 1.7%, and year, with 10.1%. ■

Stocks

Continued from page 30

The 10 top-performing individual stocks, many because of buyouts, were **Pillsbury Co.**, up 73.9%; **RJR Nabisco Inc.**, 65.7%; **Tiger International Inc.**, 46.3%; **The Gap Inc.**, 36.3%; **Cummins Engine Co. Inc.**, 32.1%; **PHM Corp.**, 29%; **Fedders Corp.**, 27.9%; **Phelps Dodge Corp.**, 27.7%; **General Cinema Corp.**, 24.4%; and **American Brands Inc.**, 24.2%.

In addition to economic sectors, DeMarche analyzes the stock market by quality, growth and yield. As ranked by quality, stocks in companies rated above average had the quarter's best gain, 3.7%.

As characterized by growth, stocks with high, stable growth provided the best return, 2.9%. As ranked by yield, stocks in the highest fourth of the yield range also had the best price appreciation, 2.7%.

Canadian issues had the bond market's best return in the quarter, 1.9%. All bond performance figures are total return. DeMarche's Pension Fund Bond Index returned 1.3% in the quarter. Canadian bonds had the second best return, 10.2%, for the year. The index returned 9.3%.

All bond market sectors are part of the DeMarche index, which includes 6,196 issues. In the fourth quarter, the index had average maturity of 11 years and average duration of 4.5 years. The average quality was AA. Bonds rated AAA made up 39.3% of the market value of the index; AA, 19.4%; A, 23.7%; and BAA, 17.7%. Government issues made of 32.7% of the value; industrial bonds, 23.9%; financials, 20.5%; utilities, 16.1%; telephone issues, 4.3%; Canadians, 2%; and Yankee and foreign bonds, 0.4%.

Yankee and foreign bonds had the second best return for the quarter, 1.8%. For the year, these issues returned 8.7%.

Utility bonds returned 1.6% in the quarter; they had the year's best return, 10.4%.

Industrial bonds returned 1.5% in the quarter and 9.4% for the year. Telephone issues were up 1.2% for the quarter and 9.1% for the year.

U.S. government bonds returned 1.1% for the quarter and 9.1% for the year. Bonds issued by financial services companies were up 1.1% for the quarter and 8.6% for the year.

DeMarche also analyzes the bond market by quality, maturity and coupon rate. Bonds rated BAA outperformed higher quality sectors in the quarter, with a 1.9% return.

As ranked by maturity, those with maturities of 20 years or more had the best returns for the quarter, with 2.1%. As ranked by quality and maturity combined, BAA bonds with maturities of more than 20 years performed best in the quarter, with 3.2%.

Bonds in the highest one-fourth of the coupon range — with coupon rates of 11% or more — outperformed others in the period, with a 1.8% return. The average weighted coupon rate for the quarter was 9.6%. ■

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GIC explosion

Continued from page 4

it is a different thing entirely," he said. "There has been increased concern about fiduciary liabilities with in-house GIC management and an increased administrative burden of managing the portfolio. You can probably take care of one or two contracts, but when you have 15 or 20 or 30, it requires more staffing and time to take care of the placements and contract rollovers."

Mr. Mylnechuck acknowledges the growth in 401(k) plans has led to an increase in discretionary GIC managers.

"Anytime you have an attractive market like this is now, you can bet others will jump in. But the cost of entry is rising. You must have the research, credit analysis, rate desk, contract and legal review and portfolio evaluation capabilities, among other things. We are likely to see our strongest competition now from established fixed-income managers rather than from banks," he said.

Ken Walker, president of T. Rowe Price Guaranteed Advisers Inc., Glen Allen, Va., which ranked fifth with $817 million in net new business, said while the growth in GIC management is driven primarily by the 401(k) market, most of the new money coming into GICs is not from new plans but from cash flow into existing plans and the compounding effect of that growth.

Benefit industry surveys indicate about 60% of participant-directed cash flow is going into GIC fund options.

"We are starting to see more interest in Section 457 programs — the public fund deferred compensation programs, and non-qualified programs such as endowments and foundations. Some are yield-oriented, such as building maintenance and improvement programs, and don't want to take a lot of risks with their money. These are primarily small colleges and universities. We are also seeing more activity in the bank market. More banks than ever before are setting up their own pooled arrangements," he added.

Capacity problems in the insurance industry have been an ongoing problem for GIC managers and plan executives, and according to at least one study, the demand for GICs in 1989 is expected to outstrip supply by as much as 10%, creating a "seller's market syndrome," according to Mr. Mylnechuck.

Mr. Walker said "in the last six months in the GIC market, not only has there been capacity problems and insurance companies are not willing to underwrite as much, but we've also seen them become more restrictive in what they write and some of them are even getting out of benefit-responsive contracts and only writing non-benefit responsive contracts, which they perceive as not as risky." (Benefit-responsive contracts are those that allow periodic withdrawals to pay benefits.)

"We are not having trouble placing money; it just takes a little longer to do it. It's truly become a seller's market," he said. "We see a continuing shift of risk from issuers to the buyer through contracts with call provisions, non-benefit responsiveness, set dollar windows. Issuers are becoming more cautious as well as smarter."

All eyes now are on the Department of Labor's proposed regulations under Section 404(c) of the Employee Retirement Income Security Act that could become final later this year, and could require the addition of "safe" investment options to certain existing plans.

If such a requirement is approved, it could further fuel the growth of GICs, which have been designated a safe investment.

Once the 404(c) regulations are adopted, "we will likely see a significant shift to the safe harbor — probably a GIC option," said Peter Bowles, president of Fiduciary Capital Management Inc., Woodbury, Conn.

The growing importance of GICs in corporate defined contribution plans has led to a change in perception among plan sponsors, said Mr. Bowles.

"If you subscribe to the theory there will be increasing demand for GICs and the dollars invested by plans is getting larger, corporate finance people are getting increasingly involved," he sai "GICs were regarded in the pa as an area for the benefit ma ager. Now the finance people a getting involved. . . . As the p tential for adding value grows, for making errors, I feel there h been an increased awareness f designating someone (outsid managers) to draw upon wit knowledge and experience i managing the portfolio."

ScoreCARD

Most new GIC business*

	Net gain ($ millions)
Morley Capital Mgmt.	2,170
PRIMCO Capital Mgmt.	1,800
Bankers Trust	1,540
State Street Bank	1,040
T. Rowe Price Guaranteed	817
Fiduciary Capital Mgmt.	400
Ameritrust	196
IDS Trust	131
Pension Investment Resource	75
Vanguard	60

*Excludes insurers

ScoreCARD

MOST NEW FIXED-INCOME BUSINESS (NET)

Top 10 managers over $1 billion

Firm	$ millions
Bankers Trust	1,801
Northern Investment Mgmt.	1,767
Discount Corp. of New York	1,480
Pacific Investment Mgmt.	1,256
Morgan Stanley Asset Mgmt.*	1,157
J.P. Morgan Investment Mgmt.	833
Boston Co.	818
Sanford C. Bernstein	622
Wells Fargo Investment Advisors	601
Vanguard	535

*Nine months ended Sept. 30

Top 10 managers $250 mil. to $1 bil.

Firm	$ millions
Security Capital Mgmt.	346
Consistent Asset Mgmt.	300
Hoisington Investment Mgmt.	167
Lotsoff Capital Mgmt.	144
Smith Affiliated	138
Axe-Houghton	120
Harris Bretall Sullivan & Smith	99
Banc One Asset Mgmt.	65
Wolf, Webb, Burk & Campbell	25
Provident Mutual Life	19

Top 10 managers under $250 million

Firm	$ millions
Greenwich Asset Mgmt.	40
Wilkinson Boyd Asset Mgmt.	40
Govaars & Associates	30
PRIMA	27
Robert W. Baird	15
Karpus Investment Mgmt.	10
Bridgewater Asset Mgmt.	5
Capital Technology	5
Cedar Hill Associates	3
Winrich Capital Mgmt.	3

Top gainers

Continued from page 1

ucts have grown in the industry in 1988, we've grown along with them," she said.

Other big indexers among the top finishers in the $1 billion-plus category were State Street, Boston; fourth-ranked Mellon Capital Management Corp., San Francisco, and fifth-place Bankers Trust Co. — Investment Management Group, New York. Mellon Capital's growth also came from substantial new business for tactical asset allocation.

Indexing and tactical strategies "seem to be growing by leaps and bounds," said Skip Thompson, assistant trade analyst at Mellon Capital.

"There's a continuing drive toward passive and quantitative management," added Peter Braun, State Street Bank vice president and director of marketing for asset management.

Prudential Asset Management Co. Inc., Newark, N.J., which does not appear in the rankings, gained $10.79 billion during the year, primarily because of market gain and because of the acquisition of Capital Supervisors Inc., Chicago, which runs nearly $6 billion, mostly in balanced accounts.

New specialty investment firms dominated the top gainers among those with total assets of $250 million to $1 billion. Finishing first was T. Rowe Price Guaranteed Asset Advisers Inc., Glen Allen, Va. The firm is a GIC management subsidiary established in April by T. Rowe Price Associates Inc., Baltimore. Starting with nothing under management, it zoomed to $817 million by Dec. 1.

Second was real estate manager Cabot, Cabot & Forbes Realty Advisors Inc., Boston, which went to $720 million from nothing under management. (A story on top real estate managers appears on page 19.)

Coming in third, with $624 million, was First Quadrant Corp., Morristown, N.J., a tactical asset allocation manager. The firm, a unit of Crum & Forster Inc., had no outside clients until 1988. Much of the gain came from one account with The Common Fund, Fairfield, Conn.

QuantiLogic Asset Management Co. Inc., San Francisco, also a new firm and a tactical asset allocator, was fourth with $490 million, all from one client, plus market gains.

An unusual manager led the category for firms with less than $250 million under management. Mount Lucas Management Corp., Princeton, N.J., specializes in managed futures — investment in futures as a separate asset clas not as an enhancement of stock bond portfolios, and using com modity futures as well as finan cial ones. The firm's net gain $168 million includes $148 millio in increased contributions fro its one U.S. institutional tax-ex empt client and $20 million market gains.

Mount Lucas expects other in stitutions to enter this asset clas but slowly, said Grant W Schaumburg Jr., president.

Investment Research Co., Ch cago, an equity manager, followe in the small-firm category with $157 million net gain. Acadia Asset Management Inc., Bosto an international equity specialis was third with $155 million.

ScoreCARD

MOST NEW BALANCED BUSINESS (NET)

Top 10 managers over $1 billion

Firm	$ millions
Wells Fargo Investment Advisors	3,943
Mellon Capital Mgmt.	830
Munder Capital Mgmt.	466
Ameritrust	353
Mellon Equity Associates	269
WR Lazard	264
Morgan Stanley Asset Mgmt.*	200
First Union National Bank	198
INVESCO Capital Mgmt.	169
Capital Guardian Trust	153

*Nine months ended Sept. 30

Top 10 managers $250 mil. to $1 bil.

Firm	$ millions
Palley-Needelman Asset Mgmt.	99
Axe-Houghton	88
Harris Bretall Sullivan & Smith	66
WEDGE Capital Mgmt.	53
Banc One Asset Mgmt.	42
Wolf, Webb, Burk & Campbell	40
Fiduciary Mgmt. Associates	34
Keystone Investment Mgmt.	27
South Carolina National Bank	26
Colorado Capital Advisors	26

Top 10 managers under $250 million

Firm	$ millions
Marathon Asset Mgmt.	29
Anchor Capital Advisors	27
NM Capital Mgmt.	20
Hallmark Capital Mgmt.	17
Robert W. Baird	16
JMC Capital Mgmt.	12
Kirkpatrick, Pettis Mgmt.	12
Marsh & Cunningham	12
Geneva Capital Mgmt.	11
Berry, Hartell & Evers	10

Texaco 'pill'

Continued from page 3

views on a proposed replacement pill sent to Texaco by the California Public Employees' Retirement System, Sacramento, which is a Texaco shareholder and one of two institutional investors that are non-voting members of the equity committee.

That plan would allow bids for Texaco but encourage the more orderly auction process, which many people believe is a fair way of accomplishing changes of control. In the view of California retirement system officials, their proposal addresses corporate governance concerns and still provides the board of directors with the ability to negotiate for the best long-term interests of the company.

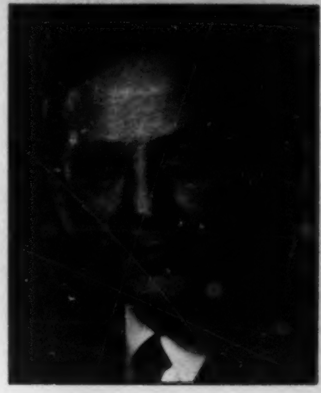
Dale Hanson, executive officer of the California fund, said the proposal was sent to several other companies interested in resolving the conflict between shareholders and management that often arises with a tender offer.

The California fund's proposal won't actually be evaluated by the chosen investment bank. The bank will only evaluate the rights plan Texaco management proposes. The California fund submitted the proposal as a suggestion to be considered as Texaco officials try to design a replacement pill. Company executives could incorporate the California proposal into the plan they eventually design.

Texaco has become a kind of proving ground for institutional investor activism on corporate governance issues. The giant oil company has been in and out of the spotlight since it and Houston-based Pennzoil Co. began battling over Getty Oil Co. in 1984.

In addition to the agreement with Mr. Icahn, Texaco took another important step that company watchers say could further alter the delicate alliance between institutional shareholders and management.

After months of haggling, Texaco management agreed to appoint to the board of directors New York University President John Brademas, who was selected from a list of 14 nominees supported by institutional investors. Charles Price, the U.S. ambassador to the United Kingdom, also was nominated to the board.



John Brademas is one of two candidates nominated to Texaco's board of directors.

Mr. Brademas, a widely respected former congressman who serves on a number of other corporate boards, was nominated to the Texaco board in a historic way.

Out of Texaco's troubles with Pennzoil and its struggle with Mr. Icahn was born a delicate alliance of sorts between Texaco management and some of the company's leading institutional investors.

Institutional investors helped Texaco management win control of the company against Mr. Icahn last year. In return, Texaco officials agreed to give institutional shareholders more input on the board of directors.

For a time, however, it seemed as though Texaco executives would not honor their agreement, and relations with institutional shareholders soured. Then Texaco selected Mr. Brademas in late January.

Mr. Brademas declined to be interviewed for this story; he does not as a matter of policy discuss his board activities.

As a result of the appointment, Mr. Hanson and Rich Koppes, general counsel for the California fund, have said the retirement system would withdraw its shareholder resolution calling for a permanent shareholders committee to be created at Texaco.

In an interview last week, however, Mr. Koppes declined to make a full commitment on a date, clearly reserving the leverage the pension fund needs to act if the rather fluid situation at Texaco changes dramatically. ■

Indexers grab

Continued from page 4

business, only about 10% of Bankers' new fixed-income business was for index funds. The firm's active fixed-income approach is based on sector and issue selection with an emphasis on yield, Ms. Kolakowski said.

Much of second-place Northern Investment's new bond business, however, was for indexed and otherwise structured products, including a roughly $225 million dedicated portfolio, said Kevin Russell, director. Many clients want to structure their bond investments to track their liabilities to some degree, he said.

Northern Investment uses fixed-income derivatives, as do the two firms that followed it in the rankings, Discount Corp. of New York Advisers and Pacific Investment Management Co., Newport Beach, Calif.

Security Capital Management Inc., Stamford, Conn., which runs index funds enhanced with arbitrage between bonds and futures, was the leader among midsize firms. The success of its strategy is "a question of hitting a whole series of singles," said Bob Brewer, chief investment officer. The strategy has been successful, he said, to the degree that $249 million of its $346 million net new fixed-income business came from existing clients.

Consistent Asset Management Co., Wilmington, Del., followed with $300 million. The firm uses quantitative analysis to move assets between Treasury securities and cash. "It's a fairly defensive style," said Mark Davies, vice president. "Clients have an appetite for safety."

Hoisington Investment Management Co., Houston, a risk-averse, market-timing manager, came in next with $167 million, followed by Lotsoff Capital Management, Chicago, which uses futures and options to control interest rate risk. Lotsoff had $144 million in new business.

Among small firms, the fixed-income leaders were Greenwich Asset Management, Greenwich, Conn., and Wilkinson Boyd Asset Management Inc., New Canaan, Conn., with $40 million each, and Govaars and Associates, Newport Beach, Calif., with $30 million.

Rankings of managers' new balanced business included some tactical asset allocation accounts. Both strategies involve a mix of stocks, bonds and cash, but traditional balanced accounts are more likely to be static; tactical asset allocation makes more frequent moves among asset classes.

Wells Fargo and Mellon Capital included their tactical business under balanced, and they were first and second in the rankings for large firms — Wells Fargo with $3.9 billion and Mellon Capital with $830 million.

Avatar Associates, New York, another tactical allocator, included its assets under equities. ■

Score CARD

Most new indexed fund business

Net gain ($ millions)

	Total Indexed	Equity funds	Fixed-income funds
Wells Fargo Investment Advisors	5,926	5,238	688
Bankers Trust	4,936	4,814	122
State Street Bank	2,630	2,500	130
Northern Investment Mgmt.	1,798	349	1,449
Mellon Capital Mgmt.	1,235	785	450
Morgan Grenfell Capital Mgmt.	355	355	0
Security Capital Mgmt.	346	0	346
Lehman Mgmt.	330	0	330
Boston Co.	310	281	29
Axe-Houghton	279	279	0

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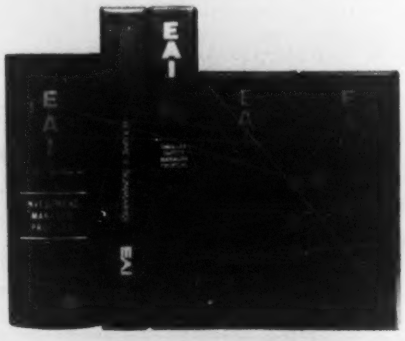

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February 20, 1989

Investment Age

The newspaper of corporate and institutional investing

$5 an issue - $110 a year

Getting the jump on FASB

Ameritech starts retiree health fund

By Barry B. Burr

CHICAGO — American Information Technologies Corp. set up a taxable trust fund and made an initial contribution of $50 million under a new long-term program to fully pre-fund on an accrual basis its billions of dollars in retiree health-care benefits.

Ameritech's decision to pre-fund benefits largely was made in anticipation of the Financial Accounting Standards Board's proposed rule on accounting for medical and other non-pension retirement benefits. While the proposed rule would not take effect until 1992, at the earliest, an exposure draft was issued Feb. 14.

Facts on FASB: Page 47

"I think we're the first company taking a sophisticated projection of the liability stream and crafting an investment policy around it," said Donald W. Phillips, Ameritech's director-investment management. "We're trying to be a leader in pre-funding this retiree medical liability."

(Another baby Bell — BellSouth Corp., Atlanta — set up a VEBA in 1986 to pre-fund its retiree medical benefits. As a result, a company spokesman said, the trust will reduce the amount of liability BellSouth would have to report under FASB. The company didn't disclose details.)

"A lot of attention has been focused on the liabilities, but very little conversation has been associated with funding and very little with investment strategy," Mr. Phillips said.

"We have a funding policy coupled with an investment policy that will defease that liability in a reasonable period."

Under the FASB proposal, corporations would be required to report such accrued liabilities and expenses in their financial statements beginning in 1992 and recognize unfunded obligations on their balance sheets in 1997. Critics contend the rule would affect dramatically corporate income and shareholder equity.

Photo by Michael Marcotte

Ameritech is putting $100 million into a new trust this year to pre-fund its retiree health benefits.

"For some companies, the obligation . . . may be an employer's greatest single liability," Diana Scott, FASB project manager, said in a statement.

"FASB is giving the world its largest single taxable investor," Mr. Phillips quipped, anticipating the formation of similar programs by other companies.

Ameritech expects to contribute another $50 million in the next few months, raising its total first-year contribution to the infant fund to $100 million. Mr. Phillips declined to disclose Ameritech's exact retiree medical-care liabilities but suggested an estimate for the present value of Ameritech's retiree medical liabilities is $2.2 billion to $2.9 billion.

"Our objective is to raise enough money in an orderly fashion to offset that liability," Mr. Phillips said. "Our goal is to be fully funded as soon as it is prudently possible."

Mr. Phillips said he worked intensely on the program with three key outside advisers: Jess B. Yawitz, chief investment officer of Goldman, Sachs& Co.'s St. Louis-based asset management unit; Thomas S. Terry, vice president and actuary at TPF&C, Chicago; and Michael J. Gulotta, president and chief actuary of Actuarial Sciences Associates, Piscataway, N.J., a unit of American Telephone & Telegraph Co.

Goldman, Sachs Asset Management expects to receive the $50 million sometime in March, and will invest the proceeds initially in a portfolio of Treasury securities, according to Messrs. Phillips and Yawitz. As the trust grows, other asset classes, including equities, likely will be used.

Ameritech set up the trust known as a VEBA, or voluntary employee beneficiary association, under section 501(c)(9) of the tax code. Earnings on trust investments will be considered unrelated business income, with taxes paid by the trust at Ameritech's

Continued on page 47

FSLIC taking property sale abroad

By Holly Smith

LONDON — The U.S. Federal Savings and Loan Insurance Corp. is trying to interest foreign investors in purchasing foreclosed American real estate.

Promotional literature for a Feb. 28 seminar on the sale identifies the seller as "principals of the largest real estate portfolio in the world," which knowledgeable sources confirmed is the FSLIC. FSLIC spokesman David Barr in Washington said he could not comment on whether the FSLIC is offering the properties for sale at the seminar.

About seven "showpiece" properties — hotels, shopping centers, office buildings, undeveloped land and apartment complexes — will be highlighted at "extremely advantageous prices" at the U.S. Embassy in London, the promotions said, along with other properties. Miller Marketing Network Ltd., a New York-based international real estate brokerage firm, is handling the sale.

Kenneth Miller, president of Miller Marketing Network, said the properties are worth $12 billion, but he wouldn't divulge the identity of the principals because they sought anonymity. Buyers examining specific properties in the portfolio also will be asked to sign a confidentiality statement.

Some FSLIC properties, most acquired through insolvent thrift institutions across the United States, have been offered at Miller Marketing's London real estate shows before. The FSLIC was open about its ownership then.

Mr. Miller said the client had asked to remain anonymous because it wanted all inquiries channeled through one office. "They can't handle a flood of calls," he said.

The foreign offering comes at a time when the beleaguered FSLIC and its related agencies are accused of mishandling both the supervision of U.S. thrifts and the prosecution of unscrupulous thrift operators. The cost of resolving the industry's problems is now estimated to be at least $100 billion.

When asked about the amount of properties held by FSLIC, Mr. Barr said he did not have a total valuation, but estimated 2,000 separate properties are in the portfolio.

Specific properties being offered to the London audience of potential investors include the 18,000-acre Sugarloaf Hunting Lodge in Wichita Falls, Texas; Braesbrook Landing, a 1,903-unit apartment complex in Houston; and the Mutiny Hotel in Coconut Grove, Fla.

The values of individual properties range from $20,000 to $350 million.

Mr. Miller also said although the properties are being offered "exclusively" within Europe at the Feb. 28 seminar, many already may have been offered within the United States. ■

INSIDE: Best deals, part 3 - Page 13

LATE NEWS

Reaction calm to Morgan Stanley

Institutional investors' initial reactions to Morgan Stanley & Co.'s decision to resume stock index arbitrage trading for its own account generally were calm and unperturbed.

"I don't think there's any problem with these firms doing this activity," said Keith Tucker, vice president in charge of the $12 billion pension fund at E.I. du Pont de Nemours & Co., Wilmington, Del. Mr. Tucker said he doesn't think such trades add to market volatility.

More participants in index arbitrage actually will make pricing more efficient, said Lester Brol, second vice president of Northern Investment Management Co., Chicago, which does arbitrage on between $800 million and $900 million in client assets. Morgan Stanley is acting responsibly by saying it will suspend the activity during extreme market volatility, he added.

Morgan Stanley and four other Wall Street firms announced last May they were stopping index arbitrage for their own accounts, while continuing to execute such trades for customers. Several other major brokers had ceased the activity earlier.

Explaining the move, Morgan Stanley officials said decreased volatility and industry cooperation had increased investors' confidence in the stock market. Also, index arbitrage is important in linking the stock and futures markets, they said.

California fund drops proposals

SACRAMENTO, Calif. — The $46 billion California Public Employees' Retirement System has withdrawn its shareholder resolution at Wells Fargo & Co. and plans to drop its proposal at Continental Corp.

The first proposal had sought the reincorporation of Wells Fargo in California. Rich Koppes, general counsel for the California Public Employees' fund, said the proposal was dropped following a meeting with bank officials, in which they convinced fund executives the state's director and officer liability coverage was unacceptable.

At Continental, the California fund had sponsored a resolution calling for a confidential proxy voting system for the 1989 proxy season. Continental management has agreed to implement such a system, so the proposal will be withdrawn, Mr. Koppes said.

Bill targets buy-out investments

CHICAGO — A political action group wants to stop Illinois state pension funds from investing in leveraged buy-outs and other takeovers.

The bill is aimed specifically at the $2.7 billion Illinois State Board of Investment and its $52 million investment with Kohlberg Kravis Roberts & Co., New York, according to John Cameron, associate director, Illinois Public Action Council.

Mr. Cameron said state Rep. Ellis Levin, a Chicago Democrat, plans to introduce a bill in the next legislative session prohibiting pension funds in the state from making such investments. The Legislature convenes March 1. Mr. Levin was unavailable for comment.

Seidel starts management firm

MONROE, Conn. — David A. Seidel, formerly president and chief operating officer of Management Asset Corp., Stamford, Conn., and a pension executive for GTE Corp. and other companies, has opened his own investment management firm.

Seidel Associates Inc., Monroe, Conn., will provide value equity investing, emphasizing customized risk control and low transaction costs for institutional and individual clients.

Mr. Seidel hopes the firm eventually will have $1 billion under management from institutional and individual investors.

Tenneco selects master trustee

HOUSTON — Tenneco Inc. hired Bankers Trust Co., New York, as master trustee for its $1.8 billion in defined benefit assets, said Alan Stewart, pension officer.

Bankers Trust replaces NCNB Texas National Bank, Dallas, which retains trusteeship of Tenneco's roughly $800 million 401(k) plan. The change was effective at year end. No consultant was used.

DEPARTMENTS

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Vol. 17, No. 4 — Pensions & Investment Age (ISSN 0273-5466) is published biweekly with a special edition in May, at 740 Rush St., Chicago, Ill. 60611. Second class postage paid at Chicago, Ill. and at additional mailing offices. Postmaster: Send address changes to Pensions & Investment Age, Circulation Dept. 965 E. Jefferson, Detroit, Mich. 48207. Copyright 1989.

Questionnaires were mailed

Questionnaires for the 1989 Investment Adviser profile issue have been mailed. If you have not yet received a questionnaire and wish to be included in this year's survey, please contact Christine Philip, directory coordinator, at *Pensions & Investment Age*, 740 N. Rush St., Chicago, Ill. 60611-2590; (312) 649-5217.

PAN AM
ALL FLIGHTS

Contribution of Pan Am's Kennedy Airport lease to its pension fund might not help the company.

Too little, too late?

Lease transfer might not help Pan Am

By Joel Chernoff

NEW YORK — The transfer of Pan American World Airways Inc.'s leasehold interest in its John F. Kennedy International Airport passenger terminal to Pan Am's pension fund finally is moving ahead, but it might be too late for the troubled airline.

In the past 14 months, the $172 million transaction has hit one snag after another, including the withdrawal of its independent fiduciary because the fiduciary could not evaluate the potential financial exposure from asbestos in the terminal.

In the past five months, the airline has been forced to contribute $61 million in needed cash to five of its underfunded defined benefit plans as it has waited for necessary government approvals for the leasehold transfer.

Pan Am expects to recoup the $61 million. The transaction, as it is now structured, would require the pension fund to purchase an interest in the leasehold equal to the amount contributed since last September, while the residual value of the lease is contributed to the fund in lieu of cash for both past and future contributions. The terminal would be leased back to Pan Am, which would pay rent to the pension funds of $2.78 million a month, resulting in a 14.5% return to the five pension plans.

Even so, Pan Am's financial situation and inability to compete with other major carriers are forcing it to seek a merger partner. Thomas G. Plaskett, chairman and chief executive officer of parent company Pan Am Corp., recently told a financial analysts' meeting that Pan Am needs to be part of a larger route network. Pan Am lacks access to future aircraft delivery, and gates at airports are tightly controlled. No substantive talks are under way, said Jeff Kreindler, a Pan Am spokesman.

The airline has been shopped extensively during the past two years, including close looks by

Continued on page 46

Japanese adopt quant strategies

By Margaret Price

NEW YORK — Japanese money managers have embraced quantitative investment strategies as a way to impress would-be clients, but still have had only minimal success in the U.S. pension market.

Traditionally active, fundamentally oriented managers, the Japanese have good reasons for seeking new investment strategies. Sources say most, if not all, of the Big Four Japanese money managers in the United States — Nomura Capital Management Inc., Daiwa International Capital Management Corp., Nikko Capital Management (U.S.A.) Inc. and Yamaichi Capital Management Inc. — failed to beat the Morgan Stanley Capital International Japanese Index last year, which returned 34.8% without dividends reinvested.

Overall performance for 1988 also was lackluster in some cases.

Daiwa Capital, which has nine U.S. pension accounts totaling $550 million under management, logged a 15.44% return last year, according to Yasutaka Kimura, president.

Although data were not available from Nomura Capital, one source reported it posted about a 16% total return last year. Nomura has 17 U.S. pension accounts representing $1.424 billion.

In comparison, the MSCI World Index returned 23.94%, according to Pensions & Investments' Performance Evaluation Report.

Nikko, with eight U.S. pension fund clients representing $400 million, would not disclose 1988 performance numbers. Yamaichi Capital Management has no U.S. pension money under management, but has signed a U.S. pension fund client that officials would not identify.

Experts offer a plethora of explanations why Japanese money managers — with the possible exception of Nomura — have had limited success attracting U.S. pension assets and why they have failed to beat consistently the Tokyo market.

Sales problems can range from poor marketing campaigns to hesitancy by U.S. plans to invest with unfamiliar money managers.

In the performance arena, at least some of the Japanese-based managers have confronted the same problems as Western managers in beating indexes.

Many money managers have had trouble discerning the hot theme stock in Tokyo. And sometimes, managers intentionally avoid trading heavily in the Tokyo market — even though it's

Continued on page 47

Sell-off of malls ill-timed

By Andrew Reinbach

Many high-priced shopping malls will be put up for sale in 1989, just as many investors are having second thoughts about whether they're worth the money.

In addition to prices based on capitalization rates that now are dropping below 5% — and in some cases below 4% — the problem facing shopping centers is slowing retail sales growth. Equitable Real Estate Investment Management Inc., for instance, recently dropped its retail growth projections to between 4% and 5% from 7.1%.

"Whether you arrive at it from the supply side or the demand side, shopping centers just aren't a growing market anymore, though this just isn't a thesis developers would ascribe to," said Cyrus C. Wilson, chairman of Management Horizons, retail consultants based in Dublin, Ohio, and a division of Price, Waterhouse & Co.

Declining demographics

Continued on page 45

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Bit of hope for thrifts

Some investors see promise in Bush plan

By Marlene Givant Star

President Bush's proposed thrift rescue plan has sparked institutional investors to take a fresh look at savings and loans, although few are satisfied the industry is ready for a new wave of investment.

Brandywine Asset Management, Wilmington, Del., which runs $550 million for U.S. tax-exempt clients, has increased savings and loan stocks to 7% of its assets under management from 4% at the beginning of 1988.

"The price-to-book ratios are, at most, 60%. The ones we have are very high-quality institutions with well-diversified loan portfolios," said Tony Hitschler, president of Brandywine.

The $800 million Duke Endowment fund, Charlotte, N.C., is keeping tabs on developments because one of its active managers is pursuing savings and loan investments, according to Will McLean, assistant investment officer.

Not all investors, however, have been convinced of the merits of savings and loan investments.

Although she's heartened the Bush administration is rapidly addressing key issues in the industry, Wendy Heavner, associate analyst of Kemper Financial Services, Chicago, said: "I'm not going to make any immediate investment in the area. There are
still so many unanswered qu
tions."

"Near term, there is a ri
probably as high as it has bee
in savings and loan stocks, s
Gary Ciminero, chief econom
of Fleet/Norstar Financial Gro
the parent of Fleet National Ba
which runs $5.6 billion for p
sion funds.

The firm's investment pol
has steered away from savi
and loans, both small and la
because problems with fail
thrifts spill over into the health
ones, Mr. Ciminero said.

Institutions are heavy invest
in financial services compani
they own more than $6 bill
in savings and loan associat
stocks and more than $60 bill
in commercial banks.

"Institutions are pretty hea
weighted in the financial sec
They've probably already b
profoundly affected" by the s
ings and loan crisis, said Sp
Kripotos, executive vice presid
of CDA Investment Technolog
Inc., Rockville, Md., which co
piles reports based on 13F fili
with the Securities and Excha
Commission by institutions w
$100 million or more in disc
tionary assets.

As of Sept. 30, institutio
owned 55% of the assets of s
ings and loans compared w
only 35% of the shares outsta
ing of companies across all ind
try groups, according to CDA.

Institutions also were the m
jority owners of money cen
banks.

About 70% of the institutio
assets covered in the reports
from pension funds, Mr. Kripo
estimated.

President Bush's rescue p
calls for:

- The creation of an ent
called the Resolution Fundi
Corp. to issue $50 billion in
year bonds to help finance
bailout of failing savings a
loans;
- The separation of the Fede
Savings and Loan Insura
Corp. from the Federal Ho
Loan Bank;
- Increased insurance pre
ums on deposits for both ba
and thrifts;
- Increased enforcement
thority over the savings and lo
industry; and
- Creation of a Resolution Tr
Corp. to restructure insolv
thrifts.

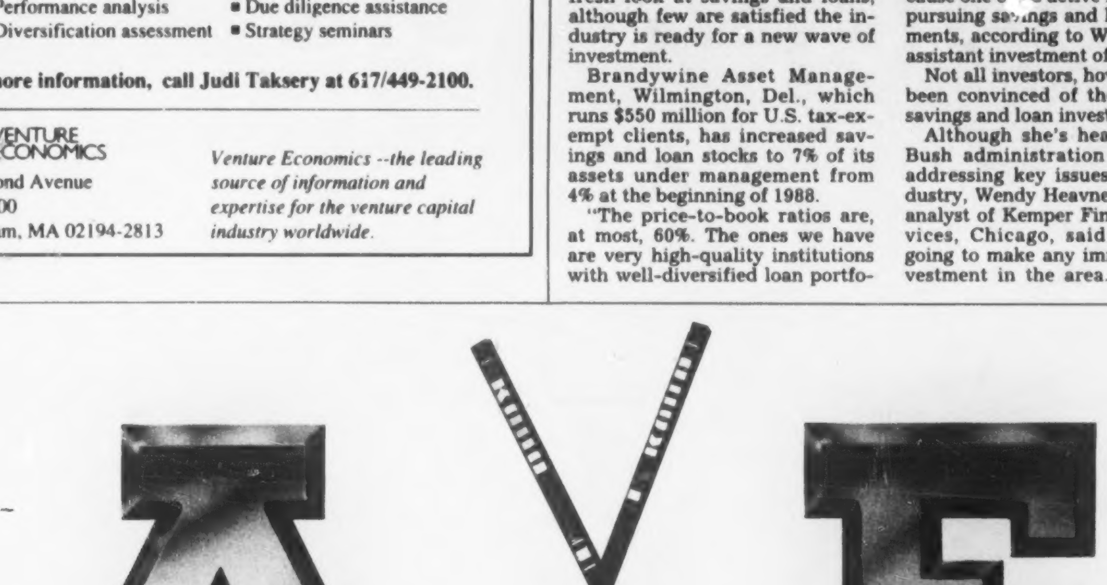
With the recent political a
media attention to the savi
and loan crisis, "there's a little
of a renewed interest on the p
of institutional investors in S&
It's very specific in terms of go
after high quality, which I thin
appropriate," said Diane Ste
berg, a vice president of Dre
Burnham Lambert Inc., N
York.

Bruce Harting, a vice presid
of Kidder, Peabody & Co., N
York, said institutions have b
eyeing savings and loan inve
ments since Robert Bass, Ron
Perelman and other big-name
vestors entered the thrift inve
ment arena. Since late 19
"there has been enormous inter
in the investment side of the th
industry — both equities and r
tructuring deals," he said.

Officials of both the $500 m
lion Houston Retirement Syst
and the $8 billion Los Ange
County Retirement Associati
are exploring ways for their fu
to invest in the savings and lo
industry (*Pensions & Investm
Age*, Feb. 6).

Bond investors, however,

Continued on page



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‘Junk’ funds on top

By Fred Williams

Fixed-income portfolio managers with holdings in higher quality, long-term industrial bonds and high-yield bonds topped the universe of Pensions & Investments' Performance Evaluation Report for the fourth quarter of 1988.

Concerns about the effect of the RJR Nabisco Inc. leveraged buyout on the credit quality of many corporate bonds caused portfolio managers to look to higher quality, non-takeover companies such as electric utilities to avoid having the bonds downgraded to the junk category. High-yield bond portfolios continued to perform well in the PIPER universe, as they have for the past several quarters.

For the three- and 12-month periods ended Dec. 31, the Shearson Lehman Hutton Government/Corporate Bond Index median return was 0.96% and 7.58% respectively. The median PIPER return was 0.95% and 7.56% for the same periods.

First Variable Life Insurance Co., Little Rock, Ark., finished in the top spot for the fourth quarter with 4.32% for its separate account D-2 high-yield bond fund. The First Variable fund also topped the list for the year with a 17.88% return, finished second overall for the three-year period with 12.83% and second for the 10-year period with 13.47%. First Variable also finished in the top 10% of all funds for the five-year period with a return of 14.54%. All returns for periods of more than 12 months are compound annual figures.

The median PIPER return was 8.12% for the three-year period, 11.49% for the five-year period and 10.49% for the 10 years.

Beverly Bank & Trust Co., Chicago, also finished in the upper 10% of all funds for the quarter, one-, three-, five- and 10-year periods. The Beverly fund concentrates on high-quality, higher coupon, long-term bonds.

First Variable Life's $2 million high-yield bond fund is managed by Rebecca Garner, vice president at Amherst Investment Management Co., the investment arm of Monarch Capital Corp., Springfield, Mass., which owns the insurance company.

"I buy value and I buy things I think I can hold for the long term," Ms. Garner said. "In 1988, all of our long-term holds were bought prior to 1988. We are very comfortable with our long-term approach and we have proven that it pays. We are out of an issue the instant that we are uncomfortable from a fundamental view. We don't wait around. We focus on viable credits with an upgrade potential and stability over the long term."

She said the First Variable portfolio follows a "three-year rule" on its high-yield bonds. "If a company is going to default (on its bond obligations), it usually will default in three and a half to four years. We have a three-year rule which requires that each issue gets a complete re-evaluation every three years as if we had just bought it. If it doesn't hold up, we are out of it."

Beverly Bank has developed a solid top level performance record in every period covered by PIPER, with quarter, one-, three-, five- and 10-year returns of 2.41%, 17.05%, 11.56%, 14.86%, and 13.6% respectively.

"My present approach is one where I'm using high-coupon, fixed-income securities with average calls of around five to seven years," said Ron Stajkowski, president of Beverly Bank.

For the longer term, he said, "I guess one thing I like is to buy securities and pay a premium to get that coupon flow. If I have a choice between 9% or 12%, I will always buy the 12% coupon. That allows me to constantly have money up for reinvestment even if there is no new money coming into the fund. If the average coupon rate is 11% and there is $10 million in the fund, I have $1.1 million to be reinvested annually, that allows me to grow the fund," said Mr. Stajkowski, who has managed the fund for 10 years.

He said longer maturity fixed-income securities "are the safest place to be" in the current economic environment, even with the inverted yield curve.

"Anyone who is managing bonds and who stays short — less than one year — is making a serious mistake because prices are coming down and will miss the price appreciation," he said.

Fixed income funds
(periods ended Dec. 31, 1988)

	Quarter	1 yr.	3 yr.	5 yr.	10 yr.
Highest return	4.32%	17.88%	14.21%	16.46%	13.62%
First quartile	1.24	8.53	8.72	12.39	11.3
Median	0.95	7.56	8.12	11.49	10.49
Third quartile	0.74	6.96	7.56	10.66	9.97
Lowest return	−1.2	4.75	1.22	3.78	8.71
Shearson G/C	0.96	7.58	8.36	12.16	11.01

The long-term bond fund of NCNB Texas National Bank, Dallas, also finished in the top decile for the quarter with a 2.08% return.

Brian Blake, portfolio manager, said the fund is part of NCNB's asset allocation program. The fund "concentrates on the long end of the (yield) curve and is best suited for those interested in asset allocation. The exposure to the fund could be zero, 5% or 10% de-

Continued on page 36

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CHASE

Takeover stocks win

By Curtis Vosti

Two prominent takeovers fueled the top performers among bank and insurance company commingled equity funds during the fourth quarter, according to Pensions & Investments' Performance Evaluation Report.

As **RJR Nabisco Inc.** and **Kraft Inc.** went into play in the fall, their stocks soared. RJR was taken private by the leveraged buy-out king, Kohlberg Kravis Roberts & Co., while Kraft was taken over by Philip Morris Cos. Inc.

Prominent holdings in those two stocks helped First National Mercantile Bank, Joplin, Mo., Bank One Wisconsin Trust, Milwaukee, and NCNB National Bank, Charlotte, N.C., finish first, second and third respectively among 314 funds.

First National Mercantile's Growth and Income Fund A returned 7.3%; Bank One Wisconsin Trust's growth equity fund returned 7.1%; and NCNB's equity fund, 6.7%.

The PIPER median came in at 2.4%, lagging the Standard & Poor's 500 Stock Index return of 3.1%.

First National Mercantile's fund has a long-term orientation, according to Thomas Atteberry, investment officer. "You have to buy a company for one, three, five years minimum," he said. "I'm convinced that's where wealth is built."

The fund focuses on companies that have a long history of increasing dividends and earnings. "We don't have a big down side when the market softens," he said. "The yields hold us up."

Both RJR and Kraft had been in the $17 million portfolio for at least five years, Mr. Atteberry said. The bank took profits when those takeovers were announced, but didn't get completely out of the stocks until it accepted the tender offers.

Bank One Wisconsin Trust's $20 million fund, which is managed by the bank's Fox River regional office in Neenah, Wis., holds about 37 different stocks and had a 2% cash position during the fourth quarter, according to Scott Andrews, vice president and chief investment officer in Neenah. The fund has relatively low turnover.

"We try to find high-quality companies by looking for a total return that has some balance between capital appreciation and current income," Mr. Andrews said. "We look for at least market yields."

The fund had a 2.9% position in Kraft and a 2.4% position in RJR Nabisco at the start of the quarter. As the companies went into play, he said, the Kraft holdings jumped to 5.1% of the portfolio because of market appreciation. The company took profits on Kraft by selling almost half of it 9,000 shares, and then tendered the balance to Philip Morris, he said.

Mr. Andrews has held onto the RJR Nabisco stock so far and will tender it this year. Other large holdings include **IBM Corp.**, **PepsiCo Inc.** and **Waste Management Inc.**

The $120 million equity fund of NCNB is overweighted in consumer staples, according to Ed Riley, director of corporate and institutional portfolio management. As with the other two top finishers, the fund's strong fourth-quarter performance was fueled by longtime holdings in RJR Nabisco and Kraft.

"They were consistent with our emphasis on franchises and good quality management," he said.

The fund typically has between 40 and 50 issues, Mr. Riley said, with 100% turnover during the year. "Our time horizon is six to 12 months," he said. "We are fairly active managers."

Pooled equity funds
(periods ended Dec. 31, 1988)

	Quarter	1 yr.	3 yr.	5 yr.	10 yr.
Highest return	7.27%	35.78%	21.26%	24.24%	23.08%
First quartile	3.39	19.61	13.67	15.37	16.9
Median	2.37	15.34	12.29	13.58	15.77
Third quartile	1.39	11.07	10.21	11.94	14.27
Lowest return	−12.9	−20.67	−6.33	6.6	9.08
S&P 500	3.08	16.57	13.36	15.32	16.36

In the fourth quarter, the fund added to its **American Telephone & Telegraph Co.** holdings, he said, because it was selling at an attractive valuation based on expected earnings. Positions also have increased in Phillip Morris, he said, because it was selling at less than 10 times expected earnings.

For the 1988 calendar year, the PIPER median returned 15.3%, again lagging the S&P 500 at 16.6%.

Topping the equity funds for the year was Boatmen's Trust Co., St. Louis, formerly Centerre Trust Co. until bought out by Boatmen's in the fourth quarter, with a 35.78% return.

The $66 million fund is based on a valuation process that is driven by a dividend discount model, according to James McGuire, chief investment officer.

The portfolio holds an average of 35 stocks, and in 1988 had an above-average 90% turnover rate, Mr. McGuire said. Usual turnover rate is about 70%, he said, but in 1988, the model called for additional sells.

After October 1987, the market overreacted to many stocks, he said.

As a result, the fund bought financials such as **PaineWebber Group Inc.** and **Salomon Inc.**, and others such as **Tandy Corp.** and **Payless Cashways Inc.**

By the end of 1988, Payless and Tandy were sold, along with **Chemical New York Corp.**, **Humana Inc.** and **Citicorp.** Profits were taken from Salomon and PaineWebber, although the positions were not wiped out, Mr. McGuire said.

Once the threat of recession dissolved in the second half of 1988, he said, the company invested in large-capitalization stocks, such as **General Electric Co.** and **Eastman Kodak Co.**, that hadn't participated in the first-of-the-year rally.

For the three years ended Dec. 31, the median PIPER return wa 12.3%; the S&P 500 was 13.4 Performance figures for periods more than one year are compoun annualized.

The first- and fifth-place fund for three years are sponsored b different banks but managed b the same firm, James Investmen Research, Alpha, Ohio.

The $5.5 million Retiremen Fund L of Bank One, Indianapolis, finished first with a compoun annualized return of 21.3%, an the $10 million Retirement Fun C of State Bank & Trust Co., Defiance, Ohio, returned 18.4%. Fran E. James Jr., president, and hi son, Frank E. James III, vice president, said the investment philosophy for the two funds are abou the same, but results are differen because of the timing of withdrawals and deposits.

The investment managemen firm bases its decisions on three-screen quantification process that begins with a look debt, cash flow and earnings momentum. Subsequent screen identify companies that are neglected by the market and ones i which the corporate managemen has shown confidence in the operation through its purchase stock.

For the five-year period, th PIPER median returned an annualized 13.6% and the S&P 50 index, 15.3%.

Among PIPER participants Su Banks, Orlando, Fla., topped th list with a 24.2% return, followe by State Bank & Trust Co. wit 20%.

For the 10 years, the PIPER median returned 15.8% and the S& 500, an annualized 16.4%.

Sun Banks also topped the 10 year equity performers, with 23.1% return, followed by Manufacturer's Life Insurance Co. Canada, Toronto, with a 22.7% return.

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'Junk' funds

Continued from page 35

pending on risk tolerance. It is for people we have identified as moderate to more aggressive in their risk tolerance," he said. The balance of a plan sponsor's assets would be invested in NCNB's other fixed-income funds, stocks or in cash. The fund has $13 million in assets.

During the fourth quarter, he said, the fund was invested heavily in government securities and government guaranteed issues.

"It's been a good place to be since (the 1987 stock market crash), given the flight to quality. We still think quality is not a bad place to be," said Mr. Blake.

HT Investors Inc., Providence, R.I., had two funds in the top 10% of all PIPER fixed-income funds: the $10.4 million Retirement Income Fund and the $13.9 million Retirement Income Fund A. The retirement income fund is heavily weighted with high-coupon "cushion bonds" with a maturity cap of Dec. 31, 1992, and zero-coupon bonds, said George Shippe, HT portfolio manager.

The fund shifted toward the high-coupon bonds, such as electric utility bonds, following the RJR Nabisco transaction.

Fund A has no maturity restrictions, he said, and is more aggressive than the retirement incom fund. It contains substanti amounts of reverse principal exchange rate issues linked to th yen, in which buyers are pai back at maturity based on th dollar relationship to the yen.

The average maturity of th fund was 5.5 years in December.

Delaware Trust Co. finished th year in the top 10% of all fund with a return of 10.61%, thir overall for the three-year perio with 12.46% and second for th five-year period with 15.69%.

Dave Baldt, portfolio manage said the $21 million fund is actively managed, "approximate the duration and average maturity of the Shearson Lehman Government/Corporate Bond Inde and is always fully invested."

He said the fund is invested "i those sectors we feel are underpriced at any given point in time.

"We look at the entire taxabl bond universe. We have been usin bank and finance companies an utilities in the corporate area an direct government-backed mortgag certificates, and we are deathl afraid of industrial corporate bond because of the LBO threat. We hav had no industrial bonds for thre years because of the likelihood their being leveraged."

Top fixed funds by size

1-year returns

Over $100 million

	%
Trust Co./the West (High yield)	15.9
Pacific Mutual, Calif.	9.8
First Kentucky Trust	9.3
Morgan Guaranty, N.Y.	9.3
First Chicago (Dollar)	9.2
Sovran Bank (Inst.), Va.	9.1
Equitable Capital (5), N.Y.	9.0
Nat'l City Cleveland	8.9
Mercantile Bank, Mo.	8.9
Hawaiian Trust (Defensive)	8.8

$50 million to $100 million

	%
Life of Virginia	9.9
Fidelity Bank, Pa.	9.0
Bankers Trust (A), N.Y.	8.5
Core States, Pa.	8.2
Banc One Asset, Ohio	8.1
Bankers Trust (B), N.Y.	8.0
Sun Bank, Fla.	8.0
Nat'l Westminster Bank, N.J.	7.9
Comerica Bank, Mich.	7.7
Massachusetts Mutual	7.7

$10 million to $50 million

	%
Beverly Bank, Ill.	17.1
Wellington Trust (Emerg.)	15.1
HT Investors (A), R.I.	11.0
Delaware Trust	10.6
Trust Services/America, Calif.	10.6
Sanwa Bank (C), Calif.	10.1
Capital Trust, Ore.	10.1
NCNB Texas (Long)	9.4
Bishop Trust, Hawaii	9.3
SeaFirst Bank (Sea cap), Wash.	9.1

Under $10 million

	%
First Variable, Ark.	17.9
Wellington Trust (High yield)	15.1
General American (SA 9), Mo.	12.4
Second Nat'l Bank, Ohio	12.0
Sunburst Bank, Miss.	11.8
First of Kenosha (CT4002), Wis.	9.2
Exchange Nat'l Bank, Ill.	8.9
Nevada Nat'l Bank	8.9
Colonial American Nat'l, Va.	8.6
Connecticut Nat'l Bank	8.2

10-year returns

Over $100 million

	%
Sovran Bank (Inst.), Va.	13.1
Pacific Mutual, Calif.	12.6
American Security, D.C.	12.5
First Kentucky Trust	12.4
Texas Commerce (Active)	12.3
Morgan Guaranty, N.Y.	12.0
John Hancock, Mass.	11.5
Mercantile Bank, Mo.	11.5
First Wachovia, N.C.	11.4
CIGNA Corp. (Inter.), Conn.	11.2

$50 million to $100 million

	%
Life of Virginia	12.3
Fidelity Bank, Pa.	12.2
Nat'l Westminster Bank, N.J.	11.8
Bankers Trust (B), N.Y.	11.5
Bankers Trust (A), N.Y.	11.4
Manufacturers Detroit	11.4
Chancellor, N.Y.	11.0
Bank One Wisconsin (Inter.)	11.0
Massachusetts Mutual	11.0
First Fidelity (Inter.), N.J.	10.9

$10 million to $50 million

	%
United of Denver	13.6
Beverly Bank, Ill.	13.6
Seafirst Bank (Sea cap)	12.6
Sanwa Bank (C), Calif.	12.2
First Interstate of Arizona	11.9
Cullen Bank, Texas	11.7
First Wisconsin Asset	11.7
American Nat'l Bank, Tenn.	11.5
Boatmen's FNB Kansas City	11.4
Trust Services/America, Calif.	11.4

Under $10 million

	%
First Variable Life, Ark.	13.5
Connecticut Nat'l Bank	11.8
Hamilton Bank, Pa.	11.3
Second Nat'l Bank, Ohio	11.3
Colonial American Nat'l, Va.	11.3
Exchange Nat'l Bank, Ill.	10.8
Associated Manitowoc (High)	10.4
Greeley Nat'l, Colo.	10.3
Old Second Nat'l (HR 10), Ill.	10.3
First NH Investment (B)	10.2

Top quartile commingled fixed-income funds

3-month returns

	%
First Variable Life, Ark.	4.3
Nevada Nat'l Bank	3.3
First Union Bank (1), N.C.	3.0
HT Investors (A), R.I.	2.6
Trust Co. of the West (High yield)	2.6
HT Investors, R.I.	2.4
Beverly Bank, Ill.	2.4
Boatmen's Trust, Mo.	2.4
Prudential Fixed Inc. (Long)	2.3
Wellington Trust (High Yield)	2.2
Hawaiian Trust (Defensive)	2.2
Wellington Trust (Emerg.), Mass.	2.2
Chancellor (Bondshift), N.Y.	2.1
NCNB Texas (Long)	2.1
Bank of the West, Calif.	2.0
Imperial Trust, Calif.	2.0
Trustmark Nat'l, Miss.	1.9
American Nat'l Bank, Ind.	1.9
First Variable (HQ), Ark.	1.8
Bank of Delaware	1.8
Pacific Mutual, Calif.	1.7
Second Nat'l Bank, Ohio	1.7
Calcasieu Marine (E), La.	1.7
Mercantile Safe (Inter.), Md.	1.6
American Nat'l Bank, Tenn.	1.6
Morgan Guaranty, N.Y.	1.6
MTrust, Texas	1.6
United of Denver	1.6
American Nat'l Bank, Ind.	1.6
Texas Commerce (Low vol.)	1.6
Equitable Capital (5), N.Y.	1.5
Chase Manhattan (A), N.Y.	1.5
Trust Services of America, Calif.	1.5
General American (SA 9), Mo.	1.5
Central Fidelity (Short), Va.	1.5
Sunburst Bank, Miss.	1.5
Chase Manhattan (Long), N.Y.	1.5
Dauphin Deposit (Short), Pa.	1.5
Bishop Trust, Hawaii	1.4
CIGNA (Active), Conn.	1.4
Marine Midland, N.Y.	1.4
Lincoln Nat'l (Corp), Ind.	1.4
Chase Manhattan (Short-inter.)	1.4
Wilmington Trust, Del.	1.4
Jefferson Trust, Ill.	1.4
Chemical Bank (1), N.Y.	1.4
New York Life (SA 4)	1.4
Mercantile Safe, Md.	1.3
Michigan Nat'l	1.3
First Union Bank, N.C.	1.3
First of Kenosha (CT4002), Wis.	1.3
Bankers Trust (B), N.Y.	1.3
First Wisconsin Asset	1.3
Shawmut Bank (Inter.), Mass.	1.3
Assoc. Bank Neenah (Long), Wis.	1.3
Prudential Fixed Inc. (Privest)	1.2
Cullen Bank, Texas	1.2
First Alabama Bank	1.2
Norwest Bank, Minn.	1.2
Banc One Asset (Invt.), Ohio	1.2
Security Nat'l Bank (II), W.Va.	1.2
Society Nat'l, Ohio	1.2
First Interstate of Oklahoma	1.2
AmSouth, Ala.	1.2
Sanwa Bank (C), Calif.	1.2
Mutual of New York (Public)	1.2
Equibank, Pa.	1.2
Nat'l Bank of Commerce, Neb.	1.2
First Chicago (Dollar)	1.2
SeaFirst Bank (Sea cap), Wash.	1.2
Bank One, Indianapolis	1.2
Ameritrust (Reserve), Ohio	1.2
Wellington Trust (Int.), Mass.	1.2
Bank of New York	1.2
Shawmut Bank, Mass.	1.2
Shearson Lehman G/C Index	**1.0**

1-year returns

	%
First Variable Life, Ark.	17.9
Beverly Bank, Ill.	17.1
Trust Co. of the West (High yield)	15.9
Wellington Trust (High yield)	15.1
Wellington Trust (Emerg.), Mass.	15.1
General American (SA 9), Mo.	12.4
Second Nat'l Bank, Ohio	12.0
Sunburst Bank, Miss.	11.8
HT Investors (A), R.I.	11.0
Boatmen's Trust, Mo.	10.8
Delaware Trust	10.6
Trust Services of America, Calif.	10.6
Marine Midland, N.Y.	10.2
Sanwa Bank (C), Calif.	10.1
Capital Trust, Ore.	10.1
Prudential Fixed Inc. (Long)	10.0
Life of Virginia	9.9
Pacific Mutual, Calif.	9.8
NCNB Texas (Long)	9.4
Bishop Trust, Hawaii	9.3
First Kentucky Trust	9.3
Morgan Guaranty, N.Y.	9.3
First Chicago (Dollar)	9.2
First of Kenosha (CT4002)	9.2
IAA Trust (B), Ill.	9.2
Sovran Bank (Inst.), Va.	9.1
Chase Manhattan (Long), N.Y.	9.1
Nat'l Bank of Detroit	9.1
SeaFirst Bank (Sea cap), Wash.	9.1
Fidelity Bank, Pa.	9.0
Equitable Capital (5), N.Y.	9.0
The Phoenix, Conn.	9.0
Chemical Bank (1), N.Y.	9.0
Nat'l City Cleveland	8.9
Prudential Fixed Inc. (Privest)	8.9
First Chicago	8.9
Mercantile Bank, Mo.	8.9
Exchange Nat'l Bank, Ill.	8.9
Nevada Nat'l Bank	8.9
Cullen Bank, Texas	8.8
Hawaiian Trust (Defensive)	8.8
CIGNA Corp. (Active), Conn.	8.8
First Bank Milwaukee	8.8
Chase Investors (Index), N.Y.	8.7
Mutual of New York (Public)	8.7
Metropolitan Life (SA 41), N.Y.	8.7
Jefferson Trust, Ill.	8.7
CIGNA (Inter.), Conn.	8.7
First Wisconsin Asset	8.7
Trustcorp Bank, Ohio	8.6
New York Life (SA 4)	8.6
Trustmark Nat'l, Miss.	8.6
Colonial American Nat'l, Va.	8.6
First Wachovia, N.C.	8.6
First Nat'l Mercantile (B), Mo.	8.6
Lincoln Nat'l (Corp.), Ind.	8.6
Chancellor (Bondshift), N.Y.	8.5
Bank of Tokyo (Inter.), N.Y.	8.5
Summit Trust, N.J.	8.5
Frost Nat'l, Texas	8.5
State Street Bank, Mass.	8.5
Bank of New England, Mass.	8.5
Bankers Trust (A), N.Y.	8.5
Shearson Lehman G/C Index	**7.6**

3-year returns

	%
Trust Co. of the West (High yield)	14.2
First Variable Life, Ark.	12.8
Delaware Trust	12.5
Equitable Capital (5), N.Y.	12.2
Beverly Bank, Ill.	11.6
Wellington Trust (Emerg.), Mass.	11.5
United of Denver	11.1
General American (SA 9), Mo.	10.5
Sanwa Bank (C), Calif.	10.4
Pacific Mutual, Calif.	10.3
IAA Trust (B), Ill.	10.2
Sunburst Bank, Miss.	9.9
Morgan Guaranty, N.Y.	9.8
Sovran Bank (Inst.), Va.	9.8
Boatmen's Trust, Mo.	9.8
First Kentucky Trust	9.8
Trust Services of America, Calif.	9.8
First Chicago	9.7
Colonial American Nat'l, Va.	9.7
Chase Manhattan (Long), N.Y.	9.7
Fidelity Bank, Pa.	9.6
Mid-State Bancorp, Pa.	9.6
John Hancock, Mass.	9.6
Prudential Fixed Inc.(Long)	9.5
First Interstate of Arizona	9.5
Mercantile Safe, Md.	9.5
Trustmark Nat'l, Miss.	9.5
Chase Manhattan (A), N.Y.	9.4
Marine Midland, N.Y.	9.4
Harris Trust, Ill.	9.4
American Security, D.C.	9.4
Connecticut Nat'l	9.4
Crown Life (U.S.), Ontario	9.3
Core States, Pa.	9.3
Prudential Fixed Inc. (Privest)	9.2
First Nat'l Mercantile (B), Mo.	9.2
Columbus Bank, Ga.	9.2
Society Nat'l, Ohio	9.2
Hawaiian Trust (Defensive)	9.1

Continued on page 38

—Jacques Bouhet,
General Manager—USA
Société Générale

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MONY
FINANCIAL SERVICES

Fixed-income performance

Cumulative periods ended 12/31/88

	No. of years			
	1	5	10	DCR
		%		
Aetna Life & Casualty	8.2	12.3	(1)	—
American Nat'l, Minn.	6.6	11.6	11.0	4
American Nat'l Bank, Ind.	7.5	9.0	10.2	7
American Nat'l Bank (Income), Ind.	7.2	8.1	8.9	10
American Nat'l Bank, Tenn.	8.3	11.7	11.5	2
American Security, D.C.	8.0	13.3	12.5	1
Ameritrust, Ohio	7.6	11.1	9.9	8
Ameritrust (Reserve), Ohio	6.5	9.8	11.2	3
AmSouth, Ala.	7.0	12.3	9.6	9
AmSouth (Ltd. mat.), Ala.	6.8	9.6	(1)	—
Assoc. Bank Neenah (Long term), Wis.	7.4	11.0	11.0	4
Associated Kellogg, Wis.	6.7	10.4	9.9	8
Associated Manitowoc (High inc.), Wis.	7.0	11.2	10.4	6
Banc One Asset Mgmt. (Invt.), Ohio	8.1	10.5	9.3	10
Bank of America, Calif.	6.9	11.7	9.5	9
Bank of Delaware	7.8	10.1	9.6	9
Bank of New England, Mass.	8.5	11.8	11.7	2
Bank of New York	6.5	10.6	10.2	7
Bank of the West, Calif.	6.9	(1)	(1)	—
Bank of Tokyo (Inter.), N.Y.	8.5	11.3	(1)	—
Bank One Wisconsin Trust (Inter.)	6.7	10.0	11.0	4
Bank One Wisconsin Trust	7.3	11.1	10.4	6
Bank One Indianapolis	8.0	11.5	9.7	9
Bankers Trust (A), N.Y.	8.5	12.6	11.4	2
Bankers Trust (B), N.Y.	8.0	11.3	11.5	2
Barnett Bank (Emp.), Fla.	7.2	(1)	(1)	—
Bessemer Trust, N.Y.	7.3	12.1	10.9	4
Beverly Bank, Ill.	17.1	14.9	13.6	1
Bishop Trust, Hawaii	9.3	11.3	10.2	7
Boatmen's FNB Kansas City, Mo.	7.5	11.0	11.4	2
Boatmen's Nat'l, Mo.	4.8	10.9	11.2	3
Boatmen's Trust, Mo.	10.8	15.0	13.0	1
Calcasieu Marine Nat'l Bank (E), La.	7.8	(1)	(1)	—
California First Bank	6.2	11.8	10.4	6
Capital Trust, Ore.	10.1	(1)	(1)	—
Central Bank Monroe, La.	6.7	(1)	(1)	—
Central Fidelity, Va.	7.1	12.7	11.7	2
Central Fidelity (Short term), Va.	6.4	(1)	(1)	—
Chancellor Capital, N.Y.	6.8	12.5	11.0	4
Chancellor Capital (Bondshift), N.Y.	8.5	(1)	(1)	—
Chase Investors (CMB index), N.Y.	8.7	(1)	(1)	—
Chase Manhattan (A), N.Y.	7.5	11.7	10.1	8
Chase Manhattan (Inter.), N.Y.	6.8	(1)	(1)	—
Chase Manhattan (Long), N.Y.	9.1	(1)	(1)	—
Chase Manhattan (Sec. mtg.), N.Y.	7.9	(1)	(1)	—
Chase Manhattan (Short-inter.), N.Y.	7.6	(1)	(1)	—
Chemical Bank (1), N.Y.	9.0	12.5	10.0	8
Chemical Bank (2), N.Y.	6.8	(1)	(1)	—
Chicago Title & Trust	7.7	11.7	10.2	7
CIGNA Corp. (Active), Conn.	8.8	12.5	11.1	4
CIGNA Corp. (Inter. term), Conn.	8.7	12.1	11.2	3
Citizens Comm'l & Svgs. (Inter), Mich.	7.3	11.8	10.4	6
Citizens Fidelity (F), Ky.	6.9	11.0	10.5	6
Citizens & Southern, Ga.	7.5	11.5	8.9	10
Citytrust (E3), Conn.	7.8	11.5	10.3	6
Colonial American Nat'l, Va.	8.6	13.2	11.3	3
Colorado Nat'l Bank	8.0	13.1	10.8	5
Columbus Bank & Trust, Ga.	7.0	12.3	(1)	—
Comerica Bank, Mich.	7.7	12.2	10.4	6
Comerica Bank (Inter.), Mich.	6.3	10.6	(1)	—
Commerce Bank-Kansas City, Mo.	6.3	10.4	9.1	10
Commerce Capital Mgmt., Ark.	6.0	3.8	(1)	—
Confederation Life (American), Ontario	7.1	12.0	10.0	8
Connecticut Bank & Trust	7.2	11.4	8.8	10
Connecticut Nat'l Bank	8.2	13.8	11.8	2
Connecticut Nat'l Bank (Inter.)	8.3	12.5	(1)	—
Continental Illinois	7.4	12.6	9.1	10
Continental Illinois (Inter.)	6.4	11.2	9.7	9
Core States Investment, Pa.	8.2	12.3	10.7	5
Crown Life (U.S. grp.), Ontario	7.5	(1)	(1)	—
Cullen Bank, Texas	8.8	11.1	11.7	2
C&S Trust Florida	6.0	11.0	10.9	5
Dauphin Deposit (Corp.), Pa.	6.6	11.6	10.8	5
Dauphin Deposit (Short term), Pa.	6.9	(1)	(1)	—
Delaware Trust	10.6	15.7	(1)	—
Equibank, Pa.	7.9	9.8	9.0	10
Equitable Bank, Md.	7.6	10.8	9.0	10
Equitable Capital (No. 5), N.Y.	9.0	15.3	10.5	5
Exchange Nat'l Bank, Ill.	8.9	12.6	10.8	5
Fidelity Bank, Pa.	9.0	12.5	12.2	1
First Alabama Bank	6.1	12.7	10.4	6
First Bank Milwaukee	8.8	11.6	11.3	3
First Chicago Investment	8.9	13.3	11.3	3
First Chicago Investment (Dollar)	9.2	12.6	(1)	—
First City Nat'l Houston	7.0	12.5	10.0	8
First City Nat'l Houston (Int. C-1)	6.5	11.2	(1)	—
First Fidelity Bank, N.J.	7.0	10.4	9.5	9
First Fidelity Bank (Inter.), N.J.	6.7	10.2	10.9	5
First in Bartlesville, Okla.	6.7	9.8	10.1	8
First Interstate of Arizona	8.2	13.5	11.9	1
First Interstate of Oklahoma	6.6	10.5	7.9	10
First Interstate of Oregon	7.6	11.3	10.3	7
First Kentucky Trust	9.3	13.3	12.4	1
First Nat'l Mercantile (B), Mo.	8.6	12.8	(1)	—
First Nat'l of Commerce, La.	6.8	10.6	10.6	5
First Nat'l of Tulsa, Okla.	7.4	9.6	9.3	9
First NH Investment (B)	7.2	9.8	10.2	7
First of America, Mich.	7.6	9.3	9.2	10
First of Kenosha (CT4002), Wis.	9.2	8.6	6.7	10
First of Maryland	7.3	11.5	11.3	3
First of Omaha (C), Neb.	7.3	12.4	10.9	5
First of Toledo, Ohio	7.9	9.8	10.5	6
First Security Nat'l (F), Ky.	7.8	10.0	(1)	—
First Trust Corp., Colo.	8.2	11.9	10.1	8
First Union Bank, N.C.	7.4	11.2	10.4	6
First Union Bank (1), N.C.	6.8	12.2	(1)	—
First Variable Life, Ark.	17.9	14.5	13.5	1
First Variable Life (H.Q.), Ark.	7.7	13.1	(1)	—
First Wachovia, N.C.	8.6	12.6	11.4	2
First Wisconsin Asset Mgmt.	8.7	12.4	11.7	2
Frost Nat'l, Texas	8.5	11.2	9.9	8
Gary Wheaton, Ill.	7.5	10.5	10.6	5
General American (SA 8), Mo.	7.7	12.2	(1)	—
General American (SA 9), Mo.	12.4	13.5	(1)	—
Greeley Nat'l Colo.	6.1	10.8	10.3	7
Hamilton Bank, Pa.	7.2	12.0	11.3	3
Harris Trust, Ill.	8.3	13.0	9.7	9
Harris Trust (Gain), Ill.	7.3	(1)	(1)	—
Hawaiian Trust	7.6	11.5	9.9	9
Hawaiian Trust (Defensive)	8.8	9.8	(1)	—
Home Life, N.Y.	7.7	10.5	(1)	—
Horizon Trust, N.J.	7.4	10.9	(1)	—
HT Investors, R.I.	7.0	11.9	10.0	8
HT Investors (A), R.I.	11.0	10.8	(1)	—
IAA Trust (B), Ill.	9.2	14.4	11.5	2
IAA Trust (Govt. sec.), Ill.	7.0	(1)	(1)	—
Imperial Trust, Calif.	7.2	(1)	(1)	—
Indiana Nat'l Bank	7.0	11.6	11.0	4
Irving Trust, N.Y.	6.7	10.6	10.2	7
Jefferson Trust, Ill.	8.7	10.3	11.4	3
John Hancock, Mass.	8.3	13.5	11.5	2
Key Trust of the Northwest, Wash.	6.6	9.0	9.6	9
Key Trust Co., N.Y.	7.9	12.3	11.4	2
Liberty Nat'l, Ky.	7.5	12.3	10.5	5
Liberty Nat'l, Okla.	7.0	10.7	9.3	10
Life of Virginia	9.9	13.8	12.3	1
Lincoln Nat'l Investment, Ind.	8.6	12.2	(1)	—
Manufacturers Detroit	6.7	12.0	11.4	3
Manufacturers Detroit (Inter.)	6.6	10.3	(1)	—
Manufacturers Life (B), Ontario	5.6	12.6	(1)	—
Marine Midland, N.Y.	10.2	12.5	10.6	5
Massachusetts Mutual	7.7	12.0	11.0	4
Mercantile Bank, Mo.	8.9	11.3	11.5	2
Mercantile Nat'l, Ind.	5.9	9.4	(1)	—
Mercantile Safe, Md.	7.6	11.8	11.0	4
Mercantile Safe (Inter.), Md.	7.1	10.9	(1)	—
Merchants Nat'l, Ind.	7.7	10.6	10.5	6
Merchants Nat'l, Pa.	6.9	11.5	11.0	4
Meridian Trust, Pa.	7.4	10.6	(1)	—
Metropolitan Life (SA 41), N.Y.	8.7	12.9	(1)	—
Michigan Nat'l	7.4	11.2	9.9	8
Mid-State Bancorp, Pa.	7.9	11.4	11.3	3
Minnesota Mutual (SA E)	7.3	10.7	10.2	8
Morgan Guaranty, N.Y.	9.3	13.3	12.0	1
MTrust, Texas	7.0	12.0	9.2	10
Mutual of New York (Public)	8.7	12.1	10.7	5
Nat'l Bank of Detroit	9.1	12.2	10.8	5
Nat'l Bank of Commerce, Neb.	7.5	12.9	10.4	6
Nat'l City Cleveland	8.9	11.0	9.7	9
Nat'l Westminster Bank, N.J.	7.9	11.8	11.8	2
NBD Trust, Ill.	7.7	10.1	10.0	8
NCNB Nat'l Bank, N.C.	8.1	11.2	10.9	4
NCNB Texas Asset (Int.)	7.3	10.9	(1)	—
NCNB Texas Asset (Long term)	9.4	12.8	10.0	8
NCNB Texas Asset (Low vol.)	7.1	10.5	(1)	—
Nevada Nat'l Bank	8.9	(1)	(1)	—
New York Life (SA 4)	8.6	11.4	(1)	—
Norwest Bank, Minn.	8.3	11.3	9.9	8
Old Second Nat'l, Ill.	7.0	10.9	10.2	7
Old Second Nat'l (HR 10), Ill.	6.7	10.3	10.3	7
Oregon Bank	6.9	11.3	11.1	4
Pacific Mutual, Calif.	9.8	13.7	12.6	1
The Phoenix, Conn.	9.0	12.0	(1)	—
Pioneer Bank, Ill.	6.1	9.5	(1)	—
Provident Capital, Pa.	7.9	11.6	10.5	6
Prudential (VCA 8), N.J.	6.8	10.6	(1)	—
Prudential Fixed Income (Broad mkt.)	8.3	(1)	(1)	—
Prudential Fixed Income (Long term)	10.0	(1)	(1)	—
Prudential Fixed Income (PRIVEST)	8.9	13.3	11.0	4
Puget Sound Nat'l, Wash.	7.2	8.1	9.6	9
PW Trust Co., N.J.	5.1	(1)	(1)	—
Riggs of Washington	7.5	10.5	11.2	3
Sanwa Bank (Invt. C), Calif.	10.1	13.4	12.2	1
SeaFirst Bank, Wash.	9.1	12.6	12.6	1
Second Nat'l Bank (Emp.), Ohio	12.0	12.4	11.3	3
Security Nat'l Bank, W.Va.	7.7	9.2	(1)	—
Security Nat'l Bank (II), W. Va.	7.5	(1)	(1)	—
Security Pacific, Calif.	7.3	(1)	(1)	—
Sentry Equity Services (SA D), Wis.	7.7	(1)	(1)	—
Shawmut Bank, Mass.	7.9	12.4	(1)	—
Shawmut Bank (Inter.), Mass.	7.1	10.0	(1)	—
SLH Trust Co. (Directions 5), Del.	6.4	9.0	(1)	—
SLH Trust Co. (G/C income 1), Del.	6.3	(1)	(1)	—
SLH Trust Co. (Inter. govt. 2), Del.	5.1	(1)	(1)	—
SLH Trust Co. (Value 3), Del.	7.4	(1)	(1)	—
Society Nat'l, Ohio	8.0	13.1	11.4	3
South Carolina Nat'l (Inter. F)	6.6	(1)	(1)	—
Southeast Bank, Fla.	6.7	10.9	10.2	7
Southtrust Bank, Ala.	7.3	11.0	10.3	7
Sovran Bank (Inst.), Va.	9.1	13.2	13.1	1
State Bank & Trust (D), Ohio	5.4	11.7	(1)	—
State Street Bank, Mass.	8.5	11.7	10.7	5
Summit Bank, Ind.	7.5	9.0	8.5	10
Summit Trust Co., N.J.	8.5	11.2	10.9	4
Sun Bank, Fla.	8.0	12.0	10.3	7
Sunburst Bank, Miss.	11.8	14.7	9.7	9
Texas American	7.1	10.5	10.4	6
Texas Commerce (Active)	6.8	11.3	12.3	1
Texas Commerce (Low vol.)	7.4	11.1	(1)	—
Third Nat'l Nashville, Tenn.	7.2	9.8	9.5	9
Trust Co. of the West (High yield)	15.9	(1)	(1)	—
Trust Services of America, Calif.	10.6	14.2	11.4	2
Trustcorp Bank, Ohio	8.6	11.8	11.4	3
Trustmark Nat'l., Miss.	8.6	11.5	11.0	4
Union Central, Ohio	7.3	10.5	9.4	9
United Missouri, Kansas City	5.9	9.9	10.2	7
United of Denver	7.8	16.5	13.6	1
U.S. Nat'l of Oregon (Qualivest)	7.0	11.4	9.5	9
Valley Fidelity, Tenn.	7.3	10.6	10.5	6
Valley Nat'l (II), Ariz.	7.0	11.4	10.3	6
Wellington Trust (Emerg.), Mass.	15.1	12.6	(1)	—
Wellington Trust (G/C), Mass.	7.7	12.1	(1)	—
Wellington Trust (Int.), Mass.	7.7	(1)	(1)	—
Wellington Trust (High yield), Mass.	15.1	(1)	(1)	—
Wells Fargo (Index), Calif.	7.6	(1)	(1)	—
Wheeling Dollar Bank, W.Va.	6.9	11.0	10.2	7
Wilmington Trust, Del.	5.9	11.5	8.7	10
Shearson Lehman G/C Index	**7.6**	**12.2**	**11.0**	**7**

First Wachovia, N.C.	9.1
Metropolitan Life (SA 41), N.Y.	9.0
Bankers Trust (A), N.Y.	9.0
SeaFirst Bank (Sea cap), Wash.	9.0
Shawmut Bank, Mass.	8.9
HT Investors, R.I.	8.9
Colorado Nat'l Bank	8.9
First Alabama Bank	8.9
Summit Trust, N.J.	8.9
HT Investors (A), R.I.	8.9
Nat'l Bank of Commerce, Neb.	8.8
Central Fidelity, Va.	8.8
Connecticut Nat'l Bank (Inter.)	8.8
CIGNA Corp. (Active), Conn.	8.8
Bankers Trust (B)), N.Y.	8.7
First Wisconsin Asset	8.7
Sheerson Lehman G/C Index	**8.4**

5-year returns

	%
United of Denver	16.5
Delaware Trust	15.7
Equitable Capital (5), N.Y.	15.3
Boatmen's Trust, Mo.	15.0
Beverly Bank, Ill.	14.9
Sunburst Bank, Miss.	14.7
First Variable Life, Ark.	14.5
IAA Trust (B), Ill.	14.4
Trust Services of America, Calif.	14.2
Life of Virginia	13.8
Connecticut Nat'l Bank	13.8
Pacific Mutual, Calif.	13.7
General American (SA 9), Mo.	13.5
First Interstate of Arizona	13.5
John Hancock, Mass.	13.5
Sanwa Bank (C), Calif.	13.4
American Security, D.C.	13.3
First Kentucky Trust	13.3
First Chicago	13.3
Prudential Fixed Inc.(Privest),	13.3
Morgan Guaranty, N.Y.	13.3
Sovran Bank (Inst.), Va.	13.2
Colonial American Nat'l, Va.	13.2
Colorado Nat'l Bank	13.1
Society Nat'l, Ohio	13.1
First Variable Life (HQ), Ark.	13.1
Harris Trust, Ill.	13.0
Nat'l Bank of Commerce, Neb.	12.9
Metropolitan Life (SA 41), N.Y.	12.9
First Nat'l Mercantile (B), Mo.	12.8
NCNB Texas (Long)	12.8
Central Fidelity, Va.	12.7
First Alabama Bank	12.7
Manufacturers Life (B), Ontario	12.6
Continental Illinois	12.6
First Chicago (Dollar)	12.6
Wellington Trust (Emerg.), Mass.	12.6
SeaFirst Bank (Sea cap), Wash.	12.6
Exchange Nat'l Bank, Ill.	12.6
First Wachovia, N.C.	12.6

Continued on page 39

Top equity funds by size

1-year returns

Over $100 million

	%
Markston Invest. Mgmt.	28.5
Meridian Trust, Pa.	24.7
Fidelity Mgmt. (Inc.), Mass.	23.3
Prudential (PRIFORM low p/e)	23.2
First Chicago	23.0
U.S. Nat'l/Oregon (Qualivest)	22.2
Harris Trust, Ill.	21.2
Ameritrust (Divers.), Ohio	20.1
Provident Capital, Pa.	19.8
Manufacturers Life, Ontario	18.8

$50 million to $100 million

	%
MTrust (Value), Texas	27.1
NCNB Texas (Divers.)	25.9
American Security, D.C.	22.6
Sovran Bank (Inst.), Va.	21.5
Chase Manhattan (Spectrum)	19.8
Chicago Title & Trust	19.6
AmSouth, Ala.	18.6
Trust Services/America, Calif.	17.5
Chancellor (Stockshift 100)	17.0
Chancellor (Multifact), N.Y.	1[illegible].6

$10 million to $50 million

	%
U.S. Nat'l of Galveston, Texas	30[illegible]
United of Denver	29.[illegible]
American Nat'l, Minn.	27.5
SLH Trust (Contrarian 6), Del.	27.2
Home Life, N.Y.	26.6
Harris Trust (Low p/e), Ill.	26.5
Firstier Bank	25.2
Wilmington Trust (Growth)	24.4
Jefferson Trust (Growth), Ill.	24.2
Bank One Wisconsin (Disc.)	23.7

Under $10 million

	%
Gary Wheaton (Hedged), Ill.	27.0
Mercantile Nat'l, Ill.	24.5
State Bank (C), Ohio	24.4
Resource Bank, Minn.	23.4
Bank One, Indianapolis (L)	23.2
First Interstate Billings, Mont.	22.1
First Interstate of Oregon	22.0
Second Nat'l Bank, Ohio	21.8
Wellington Trust (Divers.)	20.4
Colonial American (C), Va.	20.3

10-year returns

Over $100 million

	%
Sun Bank, Fla.	23.1
Manufacturers Life, Ontario	22.7
First Union, N.C.	20.5
U.S. Nat'l/Oregon (Qualivest)	19.9
Provident Capital, Pa.	19.2
Bessemer Trust, N.Y.	18.9
MTrust (Growth), Texas	18.6
Equitable Capital (4), N.Y.	18.6
Massachusetts Mutual	18.0
American Nat'l Chicago (Act.)	17.8

$50 million to $100 million

	%
MTrust (Value), Texas	18.2
NCNB Texas (Divers.)	18.2
Sovran Bank (Inst.), Va.	17.4
Texas Commerce (Divers.)	17.0
The Phoenix, Conn.	16.9
Mercantile Safe, Md.	16.8
AmSouth, Ala.	16.7
Chase Manhattan (Spectrum)	16.4
Trust Services/America, Calif.	15.8
First Wisconsin Asset (A)	15.8

$10 million to $50 million

	%
United of Denver	20.4
Guardian Insurance (VA 1)	20.0
First Fidelity (Disc.), N.J.	19.8
First Interstate of Oklahoma	19.6
U.S. Nat'l of Galveston, Texas	19.3
Confederation Life, Ga.	19.0
First Trust, Colo.	18.6
Home Life, N.Y.	18.2
First of Omaha (D), Neb.	18.2
C&S Trust Florida	17.8

Under $10 million

	%
First N.H. Investment (A)	19.3
First Interstate of Oregon	17.9
Wheeling Dollar Bank, W. Va.	17.3
Merchants Nat'l (2), Ind.	16.0
Associated Manitowoc, Wis.	15.4
Second Nat'l, Ohio	15.2
Puget Sound, Wash.	15.1
First Nat'l of Commerce, La.	15.0
First in Bartlesville, Okla.	14.9
Central Fidelity, Va.	14.7

Bankers Trust (A), N.Y.	12.6
Marine Midland, N.Y.	12.5
Connecticut Nat'l Bank (Inter.)	12.5
Chemical Bank (1), N.Y.	12.5
Fidelity Bank, Pa.	12.5
CIGNA Corp.(Active), Conn.	12.5
Chancellor Captial, N.Y.	12.5
First City Nat'l Houston	12.5
First of Omaha (C), Neb.	12.4
First Wisconsin Asset	12.4
Second Nat'l Bank, Ohio	12.4
Shawmut Bank, Mass.	12.4
Shearson Lehman G/C Index	**12.2**

	%
United of Denver	13.6
Beverly Bank, Ill.	13.6
First Variable Life, Ark.	13.5
Sovran Bank (Inst.), Va.	13.1
Boatmen's Trust, Mo.	13.0
SeaFirst Bank (Sea cap), Wash.	12.6
Pacific Mutual, Calif.	12.6
American Security, D.C.	12.5
First Kentucky Trust	12.4
Life of Virginia	12.3
Texas Commerce (Active)	12.3
Sanwa Bank (C), Calif.	12.2
Fidelity Bank, Pa.	12.2
Morgan Guaranty, N.Y.	12.0
First Interstate of Arizona	11.9
Nat'l Westminster Bank, N.J.	11.8
Connecticut Nat'l Bank	11.8
Cullen Bank, Texas	11.7
Central Fidelity, Va.	11.7
First Wisconsin Asset	11.7
Bank of New England	11.7
IAA Trust (B), Ill.	11.5
John Hancock, Mass.	11.5
Mercantile Bank, Mo.	11.5
American Nat'l Bank, Tenn.	11.5
Bankers Trust (B), N.Y.	11.5
Boatmen's FNB Kansas City, Mo.	11.4
Trust Services of America, Calif.	11.4
Bankers Trust (A), N.Y.	11.4
Key Trust, N.Y.	11.4
First Wachovia, N.C.	11.4
Manufacturers Detroit	11.4
Trustcorp Bank, Ohio	11.4
Jefferson Trust, Ill.	11.4
Society Nat'l, Ohio	11.4
Mid-State Bancorp, Pa.	11.3
Hamilton Bank, Pa.	11.3
First Chicago	11.3
First of Maryland	11.3
Second Nat'l Bank, Ohio	11.3
Colonial American Nat'l, Va.	11.3
First Bank Milwaukee	11.3
Shearson Lehman G/C Index	**11.0**

Top quartile commingled equity funds

3-month returns

	%
First Nat'l Mercantile (G&I-A), Mo.	7.3
Bank One Wisconsin (Growth)	7.1
NCNB Nat'l, N.C.	6.7
United of Denver	6.1
Summit Bank, Ind.	5.9
Equitable Capital (1), N.Y.	5.9
First Fidelity, N.J.	5.8
Gary Wheaton Bank (Hedged), Ill.	5.5
Colonial American Nat'l (C), Va.	5.4
Calcasieu Marine (E), La.	5.4
Bank One Wisconsin (Income)	5.3
Valley Nat'l (I), Ariz.	5.2
Bessemer Trust, N.Y.	5.1
State Street Bank, Mass.	5.1
Gary Wheaton Bank, Ill.	5.0
SLH Trust (Contrarian 6), Del.	5.0
Dominion Trust (Corp.), Va.	4.9
Mid-State Bancorp, Pa.	4.8
NBD Trust, Ill.	4.7
State Street (Value I), Mass.	4.6
Planters Nat'l (B), N.C.	4.6
Associated Manitowoc, Wis.	4.6
C&S Trust Florida	4.6
Jefferson Trust (Growth), Ill.	4.6
Comerica Bank, Mich.	4.6
Bishop Trust Co., Hawaii	4.6
Associated Bank Neenah, Wis.	4.4
Mercantile Bank, Mo.	4.4
First of Kenosna (CT4001), Wis.	4.3
American Security, D.C.	4.3
Manufacturers Life (E), Ontario	4.3
Second Nat'l, Ohio	4.2
Continental Illinois	4.2
CNA Insurance (SA A), Ill.	4.2
Columbus Bank, Ga.	4.1
Irving Trust, N.Y.	4.0
Sovran Bank (Inst.), Va.	4.0
Confederation Life, Ga.	4.0
Chancellor (Styleshift), N.Y.	4.0
Capital Trust (II), Ore.	3.9
U.S. Nat'l of Oregon (Qualivest)	3.9

Continued on page 42

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64

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Equity performance

Cumulative periods ended 12/31/88

	No. of years			
	1	5	10	DCR
		%		
Aetna Life & Casualty, Conn.	12.0	12.7	16.5	4
American Nat'l, Minn.	27.5	13.9	12.7	10
American Nat'l Bank, Ind.	4.3	9.9	12.2	10
American Nat'l Bank (Growth), Ind.	4.7	11.4	13.3	9
American Nat'l Bank, Tenn.	1.2	12.5	14.4	8
American Nat'l Chicago (Active)	16.8	14.7	17.8	2
American Security, D.C.	22.6	10.4	14.9	7
American Security (High yield), D.C.	29.5	(1)	(1)	—
Ameritrust (Divers.), Ohio	20.1	15.2	15.9	5
AmSouth, Ala.	18.6	9.7	18.7	3
Associated Bank Neenah, Wis.	19.5	17.4	16.7	3
Associated Kellogg, Wis.	11.7	13.9	13.6	9
Associated Manitowoc, Wis.	14.3	15.8	15.4	6
Banc One Asset Mgmt. (Corp.), Ohio	21.7	12.0	14.5	8
Bank of America (Index), Calif.	16.5	(1)	(1)	—
Bank of Delaware (VIP)	9.3	11.9	15.2	6
Bank of New England (Valuepath)	18.8	16.0	(1)	—
Bank of New York	7.0	13.8	13.9	8
Bank of the West, Calif.	−20.9	5.7	(1)	—
Bank of Tokyo, N.Y.	3.3	12.3	16.4	4
Bank One Wisconsin Trust (Disc.)	23.7	16.1	(1)	—
Bank One Wisconsin Trust (Growth)	18.8	10.0	14.6	8
Bank One Wisconsin Trust (Income)	18.1	15.0	16.3	4
Bank One, Indianapolis (C)	23.2	(1)	(1)	—
Bank One, Indianapolis (G)	23.1	14.6	15.0	7
Bankers Trust, N.Y.	10.0	12.2	14.9	7
Bankers Trust (Index), N.Y.	16.8	15.4	16.6	4
Barnett Banks Trust, Fla.	13.6	16.0	15.1	6
Bessemer Trust, N.Y.	15.0	12.5	18.9	1
Beverly Bank, Ill.	4.3	10.4	13.5	9
Bishop Trust, Hawaii	13.9	8.1	11.7	10
Boatmen's FNB Kansas City, Mo.	10.1	10.1	13.2	9
Boatmen's Nat'l, Mo.	7.3	9.0	12.4	10
Boatmen's Trust, Mo.	35.8	14.7	16.6	4
Calcasieu Marine Nat'l (E), La.	11.8	(1)	(1)	—
California First Bank	8.5	12.3	16.2	5
Capital Trust (I), Ore.	17.5	14.6	(1)	—
Capital Trust (II), Ore.	10.6	(1)	(1)	—
Central Bank Monroe, La.	11.9	(1)	(1)	—
Central Fidelity, Va.	11.4	13.6	14.7	7
Chancellor Capital , N.Y.	11.8	12.9	16.1	5
Chancellor Capital (Indexplus), N.Y.	11.6	15.5	15.8	5
Chancellor Capital (Multifact), N.Y.	16.6	15.6	(1)	—
Chancellor Capital (Stockshift 100)	17.0	(1)	(1)	—
Chancellor Capital (Stockshift 200)	22.1	(1)	(1)	—
Chancellor Capital (Styleshift), N.Y.	9.5	(1)	(1)	—
Chase Investors (Futures index), N.Y.	18.3	(1)	(1)	—
Chase Investors (Index), N.Y.	16.2	15.3	16.3	4
Chase Manhattan (Spectrum), N.Y.	19.8	12.6	16.4	4
Chemical Bank (2), N.Y.	15.9	(1)	(1)	—
Chicago Title & Trust	19.6	13.1	15.8	6
CIGNA Corp., Conn.	11.2	11.7	15.6	6
Citizens Chillicothe (B), Mo.	8.2	10.3	17.3	3
Citizens Comm'l (Growth), Mich.	11.4	(1)	(1)	—
Citizens Comm'l (Value), Mich.	18.5	(1)	(1)	—
Citizens Fidelity (E), Ky.	12.9	15.5	16.6	4
Citizens Heritage (Ciran), Ohio	6.7	(1)	(1)	—
Citizens & Southern, Ga.	15.4	13.4	13.2	9
Citytrust (E1), Conn.	19.7	15.6	17.5	2
CNA Insurance (SA A), Ill.	11.8	12.6	12.6	10
Colonial American Nat'l (C), Va.	20.3	(1)	(i)	—
Colorado Nat'l Bank	16.5	15.4	17.5	2
Columbus Bank & Trust, Ga.	14.1	12.1	(1)	—
Comerica Bank, Mich.	12.9	13.1	13.7	9
Commerce Bank St. Louis	15.5	13.5	14.8	7
Commerce Capital Mgmt., Ark	9.3	10.3	(1)	—
Commerce Capital Mgmt. (Spec.), Ark.	8.2	6.5	(1)	—
Confederation Life, Ga.	22.8	15.8	19.0	1
Connecticut Bank & Trust	11.1	12.1	15.0	7
Connecticut Mutual Life (CM)	21.2	13.5	17.1	3
Connecticut Mutual Life (CM select)	12.8	(1)	(1)	—
Connecticut Nat'l Bank	14.8	10.6	12.7	10
Continental Illinois	18.1	11.7	14.1	8
Core States Investment, Pa.	1.7	11.9	16.6	4
Crown Life (U.S. grp.), Ontario	22.9	15.4	15.7	6
Cullen Bank, Texas	18.1	17.4	16.2	5
C&S Trust Florida	19.3	15.9	17.8	2
Dauphin Deposit (Corp.), Pa.	19.3	15.0	17.1	3
Dominion Trust (Corp.), Va.	17.2	16.6	17.2	3
Employers Life of Wausau (SA 1), Wis.	20.9	8.4	17.4	2
Equibank, Pa	12.2	8.8	10.8	10
Equitable Bank, N.Y.	11.0	5.6	13.0	9
Equitable Capital (No. 1), N.Y.	18.6	12.3	14.8	7
Equitable Capital (No. 4), N.Y.	17.5	13.2	18.6	1
Equitable Capital (Q-vest 18), N.Y.	10.1	13.9	16.0	5
Fidelity Mgmt. Trust (Growth), Mass.	8.1	(1)	(1)	—
Fidelity Mgmt. Trust (Income), Mass.	23.3	15.0	(1)	—
First Alabama Bank (I)	10.1	15.5	16.1	5
First Bank Milwaukee	11.4	9.7	13.9	8
First Chicago Investment	23.0	16.9	16.4	4
First City Nat'l Houston	5.1	11.1	15.1	6
First Fidelity Bank (Disc.), N.J.	22.8	17.2	19.8	1
First Fidelity Bank, N.J.	20.4	16.3	17.6	2
First Illinois (Corp.)	13.5	(1)	(1)	—
First Illinois (Personal)	14.2	(1)	(1)	—
First in Bartlesville, Okla.	12.2	13.2	14.9	7
First Interstate Billings, Mont.	22.1	(1)	(1)	—
First Interstate of Arizona	11.4	12.5	14.0	8
First Interstate of Oklahoma	9.0	13.6	19.6	1
First Interstate of Oregon	22.0	17.0	17.9	2
First Kentucky Trust (Ret.)	8.1	13.1	15.2	6
First Nat'l Mercantile (A), Mo.	20.6	15.9	(1)	—
First Nat'l Mercantile (Growth C)	6.2	13.2	(1)	—
First Nat'l Commerce, La.	10.9	10.3	15.0	7
First Nat'l of Tulsa, Okla.	13.9	9.0	12.1	10
First NH Investment (A)	19.3	17.0	19.3	1
First of America (Con. value), Mich.	11.9	12.9	(1)	—
First of America, Mich.	13.8	18.1	16.3	4
First of Kenosha (CT4001), Wis.	11.9	8.4	11.7	10
First of Maryland	13.2	15.4	15.5	6
First of Omaha (D), Neb.	16.7	16.9	18.2	2
First of Toledo, Ohio	9.2	10.0	11.2	10
First Security Nat'l Bank (D), Ky.	14.8	15.6	(1)	—
First Trust Corp., Colo.	15.4	15.1	18.6	1
First Union Bank, N.C.	15.5	14.5	20.5	1
First Union Nat'l Bank (Enhanced), N.C.	18.1	(1)	(1)	—
First Variable Life, Ark.	17.9	8.8	16.1	5
First Wachovia, N.C.	9.0	10.8	(1)	—
First Wisconsin Asset Mgmt. (Growth A)	7.4	11.2	15.8	5
Firstier Bank	25.2	13.5	16.8	3
Frost Nat'l (A), Texas	9.0	15.4	13.0	9
Gary Wheaton, Ill.	19.1	14.6	15.1	7
Gary Wheaton (Hedged)	27.0	(1)	(1)	—
General American (Index), Mo.	17.0	(1)	(1)	—
Greeley Nat'l, Colo.	9.9	8.6	9.1	10
Guardian Insurance (VA 1), N.Y.	21.3	17.7	20.0	1
Hamilton Bank, Pa.	6.0	11.8	14.4	8
Harris Trust, Ill.	21.2	14.8	14.8	7
Harris Trust (Low p/e), Ill.	26.5	(1)	(1)	—
Hawaiian Trust	9.7	12.9	14.3	8
Home Life, N.Y.	26.6	12.5	18.2	2
Horizon Trust, N.J.	9.0	(1)	(1)	—
HT Investors, R.I.	10.0	12.2	15.3	6
IAA Trust (C), Ill.	11.0	12.4	16.4	4
IDS Trust (A), Minn.	6.2	15.4	(1)	—
Imperial Trust, Calif.	12.6	(1)	(1)	—
Indiana Nat'l Bank	15.2	11.9	14.5	8
Irving Trust, N.Y.	21.7	15.1	16.1	5
Jefferson Trust (Growth), Ill.	24.2	15.1	15.0	7
John Hancock (1K), Mass.	19.9	16.0	16.7	3
John Hancock (1L), Mass.	15.3	14.9	(1)	—
Key Trust of the Northwest, Wash.	15.4	12.9	15.8	5
Key Trust, N.Y.	4.3	9.3	12.2	10
Liberty Nat'l, Ky.	15.3	(1)	(1)	—
Liberty Nat'l, Okla.	8.0	12.8	15.9	5
Lincoln Nat'l (Growth), Ind.	10.2	13.3	(1)	—
Lincoln Nat'l (Select), Ind.	9.9	(1)	(1)	—
Manufacturers Detroit	13.5	15.4	17.6	2
Manufacturers Life, Ontario	18.8	8.6	22.7	1
Manufacturers Life (E), Ontario	11.7	(1)	(1)	—
Manufacturers Life (C), Ontario	20.0	(1)	(1)	—
Marine Midland, N.Y.	14.9	12.4	(1)	—
Markston Investment Mgmt., N.Y.	28.5	14.9	17.6	2
Marquette Bank Minneapolis	18.0	(1)	(1)	—
Massachusetts Mutual	17.3	15.0	18.0	2
Mellon Equity Associates	11.7	16.1	15.4	6
Mercantile Bank, Mo.	18.6	13.9	15.5	6
Mercantile Nat'l, Ind.	24.5	7.5	(1)	—
Mercantile Safe, Md.	14.3	13.9	16.8	3
Merchants Nat'l (2), Ind.	15.2	13.9	16.0	5
Merchants Nat'l (1), Ind.	17.3	11.2	13.6	9
Merchants Nat'l Pa.	18.5	11.1	(1)	—
Meridian Trust, Pa.	24.7	16.4	16.3	4
Metropolitan Life (SA 40), N.Y.	8.2	12.2	(1)	—
Michigan Nat'l	10.0	8.4	10.9	10
Mid-State Bancorp, Pa.	22.6	14.3	16.8	3
Minnesota Mutual (SA C)	15.6	7.1	13.3	9
Morgan Guaranty, N.Y.	15.4	14.7	15.5	6
Morgan Guaranty (Large co.), N.Y.	15.4	16.2	15.3	6
MTrust (Growth), Texas	6.7	14.3	18.6	1
MTrust (Value), Texas	27.1	17.2	18.2	1
Mutual of New York (Growth)	9.3	11.2	13.4	9
Mutual of New York (Income)	17.4	16.4	16.3	4
Nat'l Bank of Detroit	18.4	14.5	13.8	9
Nat'l Bank of Commerce, Neb.	16.1	14.4	17.3	3
Nat'l City Cleveland	16.5	14.3	17.2	3
Nat'l Westminster Bank, N.J.	19.9	15.4	15.8	5
NBD Trust Co., Ill.	13.6	16.6	15.9	5
NCNB Nat'l Bank, N.C.	15.3	14.6	14.3	8
NCNB Texas Asset Mgmt. (Divers.)	25.9	18.8	18.2	2
NCNB Texas Asset Mgmt. (Growth)	3.1	8.7	13.4	9
NCNB Texas Asset Mgmt. (Income)	19.1	(1)	(1)	—
Nevada Nat'l Bank	6.8	(1)	(1)	—
New York Life (SA 6)	16.9	(1)	(1)	—
New York Life (SA 1)	14.3	10.7	12.7	10
Old Second Nat'l, Ill.	14.1	13.0	13.9	8
Old Second Nat'l (HR 10), Ill.	12.2	13.4	14.6	7
Oregon Bank	20.0	13.9	13.9	8
Pacific Mutual, Calif.	14.1	10.9	13.5	9
Penn Mutual Life (SA A)	13.9	12.1	16.2	4
The Phoenix, Conn.	8.7	16.3	16.9	3
Pioneer Bank, Ill.	20.0	15.7	(1)	—
Planters Nat'l (B), N.C.	14.7	9.3	14.4	6
Provident Capital, Pa.	19.9	14.7	19.2	1
Prudential (PRIDEX W-5000), N.J.	18.4	13.3	15.1	7
Prudential (PRIFORM low p/e), N.J.	23.2	14.1	(1)	—
Prudential (VCA-9), N.J.	13.8	12.2	14.3	8
Prudential Asset (1st Essex), N.J.	15.6	15.9	15.1	6
Puget Sound Nat'l, Wash.	9.7	15.3	15.1	6
PW Trust Co. (Conserv.), N.J.	12.2	(1)	(1)	—
Resource Bank & Trust, Minn.	23.4	10.4	(1)	—
Riggs of Washington	10.6	12.7	13.6	9
Sanwa Bank (Invt.), Calif.	10.3	12.8	14.1	8
SeaFirst Bank, Wash.	8.7	11.1	13.3	9
Second Nat'l Bank (Emp.), Ohio	21.8	11.2	15.2	6
Security Nat'l Bank, W. Va.	12.4	12.1	(1)	—
Security Nat'l Bank (II), W. Va.	15.2	(1)	(1)	—
Security Pacific (E), Calif.	1.8	9.2	(1)	—
Security Pacific, Calif.	17.0	(1)	(1)	—
Security Pacific (Income B), Calif.	14.5	12.8	(1)	—
Sentry Equity Services (SA B), Wis.	13.3	15.0	17.1	3
Sentry Equity Services (SA E), Wis.	21.8	(1)	(1)	—
Shawmut Bank, Mass.	17.6	13.4	(1)	—
SLH Trust (Contrarian 6), Del.	27.2	(1)	(1)	—
SLH Trust (Directions 1), Del.	7.7	15.1	(1)	—
SLH Trust (Flex growth 7), Del.	10.0	13.8	(1)	—
SLH Trust (Value 4), Del.	20.8	17.2	(1)	—
Society Nat'l (Rel. value), Ohio	9.9	14.2	15.0	7
South Carolina Nat'l	17.4	(1)	(1)	—
Southeast Bank, Fla.	12.5	13.3	16.1	5
Southtrust Bank, Ala.	13.6	14.5	12.3	10
Sovran Bank (Inst.), Va.	21.5	16.6	17.4	2
State Bank & Trust (C), Ohio	24.4	20.0	(1)	—
State Street Bank, Mass.	22.4	15.5	17.5	2
State Street Bank (Matrix synthesis)	24.5	(1)	(1)	—
State Street Bank (S&P index), Mass.	16.9	15.3	16.4	4
State Street Bank (Value I), Mass.	23.4	(1)	(1)	—
Stock Yards Bank (Emp. benefit), Ky.	17.3	(1)	(1)	—
Stock Yards Bank (Trust), Ky.	24.4	(1)	(1)	—
Summit Bank, Ind.	20.1	14.9	14.9	7
Summit Trust Co., N.J.	11.0	14.0	12.3	10
Sun Bank, Fla.	13.1	24.2	23.1	1
Texas American Bank	5.7	7.3	10.1	10
Texas Commerce (Divers.)	6.4	11.6	17.0	3
Trust Co. of West (Strategy), Calif.	14.4	(1)	(1)	—
Trust Services of America, Calif.	17.5	15.2	15.8	5
Trustcorp Bank, Ohio	10.7	13.5	13.6	9
Union Central, Ohio	32.3	14.2	16.7	3
United Carolina Bank, N.C.	15.9	12.4	(1)	—
United Missouri-Kansas City	12.4	14.3	15.5	6
United of Denver	29.3	14.6	20.4	1
U.S. Nat'l of Galveston, Texas	30.6	17.1	19.3	1
U.S. Nat'l of Oregon (Qualivest)	22.2	14.9	19.9	1
Valley Fidelity, Tenn.	12.1	12.3	16.1	5
Valley Nat'l (I), Ariz.	15.8	15.4	14.8	7
Wellington Trust (Divers.), Mass.	20.4	15.5	(1)	—
Wellington Trust (Income), Mass.	21.3	(1)	(1)	—
Wells Fargo (Index), Calif.	16.6	15.4	16.4	4
Wheeling Dollar Bank, W. Va.	10.7	13.6	17.3	2
Wilmington Trust (Growth), Del.	24.4	(1)	(1)	—
Wilmington Trust (Total return), Del.	11.8	(1)	(1)	—
Wilmington Trust (Value), Del.	17.2	(1)	(1)	—
Standard & Poor's 500 Index	**16.6**	**15.3**	**16.4**	**2**

Trust Services of America, Calif.	3.8
The Phoenix, Conn.	3.8
Dauphin Deposit (Corp.), Pa.	3.8
Morgan Guaranty (Lg. co.), N.Y.	3.8
Manufacturers Life, Ontario	3.7
Union Central, Ohio	3.7
First Union, N.C.	3.7
Nevada Nat'l Bank	3.7
Wellington Trust (Divers.), Mass.	3.7
Manufacturers Life (C), Ontario	3.7
Crown Life (U.S. grp.), Ontario	3.7
John Hancock (1K), Mass.	3.6
Morgan Guaranty, N.Y.	3.6
Ameritrust (Divers.), Ohio	3.6
Stock Yards Bank, Ky.	3.6
Horizon Trust, N.J.	3.5
First of Omaha (D), Neb.	3.5
Puget Sound Nat'l, Wash.	3.5
U.S. Nat'l of Galveston, Texas	3.4
Chancellor (Stockshift 200), N.Y.	3.4
First Chicago	3.4
Nat'l Bank of Detroit	3.4
Boatmen's Trust, Mo.	3.4
Chase Investors (Index), N.Y.	3.4
First Interstate Billings, Mont.	3.4
Standard & Poor's	**3.1**

1-year returns

	%
Boatmen's Trust, Mo.	35.8
Union Central, Ohio	32.3
U.S. Nat'l of Galveston, Texas	30.6
American Security (Hi. yield), D.C.	29.5
United of Denver	29.[illegible]
Markston Invest. Mgmt., N.Y.	28.5
American Nat'l, Minn.	27.5
SLH Trust (Contrarian 6), Del.	27.2
MTrust (Value), Texas	27.1
Gary Wheaton Bank (Hedged), Ill.	27.0
Home Life, N.Y.	26.6
Harris Trust (Low p/e), Ill.	26.5
NCNB Texas (Divers.)	25.9
Firstier Bank	25.2
Meridian Trust, Pa.	24.7
State Street (Matrix syn.), Mass.	24.5
Mercantile Nat'l, Ind.	24.5
State Street Bank (C), Mass.	24.4
Wilmington Trust (Growth), Del.	24.4
Stock Yards Bank, Ky.	24.4
Jefferson Trust (Growth), Ill.	24.2
Bank One Wisconsin (Disc.)	23.7
Resource Bank, Minn.	23.4
State Street Bank (1), Mass.	23.4
Fidelity Mgmt. (Income), Mass.	23.3
Bank One, Indianap[illegible] (C)	23.2
Prudential (PRIFC[illegible]e)	23.2
Bank One, Indianapo[illegible]	23.1
First Chicago	23.0
Crown Life (U.S. grp.), Ontario	22.9
First Fidelity (Disc.), N.J.	22.8
Confederation Life, Ga.	22.8
American Security, D.C.	22.6
Mid-State Bancorp, Pa.	22.6
State Street Bank, Mass.	22.4
U.S. Nat'l of Oregon (Qualivest)	22.2
First Interstate Billings, Mont.	22.1
Chancellor (Stockshift 200), N.Y.	22.1
First Interstate of Oregon	22.0
Second Nat'l Bank, Ohio	21.8
Sentry Equity (SA E), Wis.	21.8
Irving Trust, N.Y.	21.7
Banc One Asset (Growth), Ohio	21.7
Sovran Bank (Inst.), Va.	21.5
Wellington Trust (Income), Mass.	21.3
Guardian Insurance (VA 1), N.Y.	21.3
Harris Trust, Ill.	21.2
Connecticut Mutual	21.2
Employers Life of Wausau (SA 1)	20.9
SLH Trust (Value 4), Del.	20.8
First Nat'l Mercantile (A), Mo.	20.6
Wellington Trust (Divers.), Mass.	20.4
First Fidelity, N.J.	20.4
Colonial American Nat'l (C), Va.	20.3
Ameritrust (Divers.), Ohio	20.1
Summit Bank, Ind.	20.1
Pioneer Bank, Ill.	20.0
Oregon Bank	20.0
Manufacturers Life (C), Ontario	20.0
John Hancock (1K), Mass.	19.9
Nat'l Westminster Bank, N.J.	19.9
Provident Capital, Pa.	19.9
Chase Manhattan (Spectrum)	19.8
Citytrust (E1), Conn.	19.7
Chicago Title & Trust, Ill.	19.6
Standard & Poor's	**16.6**

3-year returns

	%
Bank One, Indianapolis (L)	21.3
Sun Bank, Fla.	20.2
First Chicago	19.4
United of Denver	18.5
State Bank (C), Ohio	18.4
Bank One Wisconsin (Disc.)	18.3
SLH Trust (Value 4), Del.	17.6
South Carolina Nat'l	17.6
State Street (Matrix syn.), Mass.	17.5
First Fidelity (Disc.), N.J.	17.4
Crown Life (U.S. grp.), Ontario	17.4
NCNB Texas (Divers.)	17.0
Sovran Bank (Inst.), Va.	16.7
Capital Trust (I), Ore.	16.1
NCNB Nat'l, N.C.	16.0
First Illinois (Corp.)	15.8
State Street (Value I), Mass.	15.7
First Fidelity, N.J.	15.7
First Illinois (Personal)	15.6
[illegible] Bank, Texas	15.6
Associated Manitowoc, Wis.	15.5
Dominion Trust (Corp.), Va.	15.4
American Security (High yield)	15.4
Irving Trust, N.Y.	15.3
First Alabama (I)	15.3
NCNB Texas (Income)	15.3
U.S. Nat'l of Oregon (Qualivest)	15.2
First Nat'l Mercantile (A), Mo.	15.2
The Phoenix, Conn.	15.2
State Street Bank, Mass.	15.1
Mutual of New York (Income)	15.0
Associated Bank Neenah, Wis.	14.9
California First	14.9
Union Central, Ohio	14.8
Southtrust Bank, Ala.	14.7
U.S. Nat'l of Galveston, Texas	14.6
Meridian Trust, Pa.	14.5
SLH Trust (Flex 7), Del.	14.5
American Nat'l, Minn.	14.5
Markston Investment Mgmt., N.Y.	14.4
Firstier Bank	14.3
Guardian Insurance (VA 1), N.Y.	14.3
Confederation Life, Ga.	14.2
First Security Nat'l (D), Ky.	14.2
Chase Investors (Index), N.Y.	14.2
Harris Trust (Low p/e), Ill.	14.1
John Hancock (1K), Mass.	14.1
First NH Investment (A)	14.1
First of Maryland	14.1
General American (Index), Mo.	14.0
C&S Trust Florida	14.0
First Nat'l Mercantile (C), Mo.	13.9
Bessemer Trust, N.Y.	13.9
Citizens Fidelity (E), Ky.	13.8
Jefferson Trust (Growth), Ill.	13.8
Lincoln Nat'l (Select), Ind.	13.8
Bank of Delaware (VIP)	13.7
Trust Services of America, Calif.	13.7
Standard & Poor's	**13.4**

5-year returns

	%
Sun Bank, Fla.	24.2
State Bank (C), Ohio	20.0
NCNB Texas (Divers.)	18.8
First of America, Mich.	18.1
Guardian Insurance (VA 1), N.Y.	17.7
Associated Bank Neenah, Wis.	17.4
Cullen Bank, Texas	17.4
SLH Trust (Value 4), Del.	17.2
MTrust (Value), Texas	17.2
First Fidelity (Disc.), N.J.	17.2
U.S. Nat'l of Galveston, Texas	17.1
First Interstate of Oregon	17.0
First NH Investment (A)	17.0
First Chicago	16.9
First of Omaha (D), Neb.	16.9
NBD Trust, Ill.	16.6
Sovran Bank (Inst.), Va.	16.6
Dominion Trust (Corp.), Va.	16.6
Mutual of New York (Income)	16.4
Meridian Trust, Pa.	16.4
First Fidelity Bank, N.J.	16.3
The Phoenix, Conn.	16.3
Morgan Guaranty (Lg. co.), N.Y.	16.2
Bank One Wisconsin (Disc.)	16.1
Mellon Equity	16.1
Barnett Banks, Fla.	16.0
John Hancock (1K), Mass.	16.0
Bank of New England (Valuepath)	16.0
C&S Trust Florida	15.9
Prudental Asset (1st Essex), N.J.	15.9
First Nat'l Mercantile (A), Mo.	15.9
Confederation Life, Ga.	15.8
Associated Manitowoc, Wis.	15.8
Pioneer Bank, Ill.	15.7
First Security Nat'l (D), Ky.	15.6
Chancellor (Multifact), N.Y.	15.6
Citytrust (E1), Conn.	15.6
State Street Bank, Mass.	15.5
Wellington Trust (Divers.), Mass.	15.5
Chancellor (Indexplus), N.Y.	15.5
First Alabama (I)	15.5
Citizens Fidelity (E), Ky.	15.5
Wells Fargo (Index), Calif.	15.4
Colorado Nat'l Bank	15.4
Bankers Trust (Index), N.Y.	15.4
Valley Nat'l (I), Ariz.	15.4
First of Maryland	15.4
Manufacturers Detroit	15.4
Nat'l Westminster Bank, N.J.	15.4
Frost Nat'l (A), Texas	15.4
IDS Trust (A), Minn.	15.4
Crown Life (U.S. grp.), Ontario	15.4
Standard & Poor's	**15.3**

10-year returns

	%
Sun Bank, Fla.	23.1
Manufacturers Life, Ontario	22.7
First Union Bank, N.C.	20.5
United of Denver	20.4
Guardian Insurance (VA 1), N.Y.	20.0
U.S. Nat'l of Oregon (Qualivest)	19.9
First Fidelity (Disc.), N.J.	19.8
First Interstate, Okla.	19.6
U.S. Nat'l of Galveston, Texas	19.3
First NH Investment (A)	19.3
Provident Capital, Pa.	19.2
Confederation Life, Ga.	19.0
Bessemer Trust, N.Y.	18.9
MTrust (Growth), Texas	18.6
First Trust, Colo.	18.6
Equitable Capital (4), N.Y.	18.6
MTrust (Value), Texas	18.2
Home Life, N.Y.	18.2
NCNB Texas (Divers.)	18.2
First of Omaha (D), Neb.	18.2
Massachusetts Mutual	18.0
First Interstate of Oregon	17.9
C&S Trust Florida	17.8
American Nat'l Chicago (Active)	17.8
Prudential Asset (1st Essex), N.J.	17.7
Manufacturers Detroit	17.6
First Fidelity Bank, N.J.	17.6
Markston Invest. Mgmt.	17.6
Colorado Nat'l	17.5
State Street Bank, Mass.	17.5
Citytrust (E1), Conn.	17.5
Sovran Bank (Inst.), Va.	17.4
Employers Life of Wausua (SA 1)	17.4
Wheeling Dollar Bank, W.Va.	17.3
Citizens Chillicothe (B), Mo.	17.3
Nat'l Bank of Commerce, Neb.	17.3
Nat'l City Cleveland	17.2
Dominion Trust (Corp.), Va.	17.2
Sentry Equity (SA B), Wis.	17.1
Connecticut Mutual	17.1
Dauphin Deposit (Corp.), Pa.	17.1
Texas Commerce (Divers.)	17.0
The Phoenix, Conn.	16.9
Standard & Poor's	**16.4**

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Cisneros to start firm

By Curtis Vosti and Fred Williams

SAN ANTONIO, Texas — Mayor Henry G. Cisneros, who has announced he won't seek reelection this spring, is near to teaming up with Criterion Investment Management Co., Houston.

Mr. Cisneros will become chairman of a newly formed investment management firm in March, to be called Cisneros Group Inc., that will specialize in fixed-income securities.

The firm is expected to sign a contract with Criterion, which will advise, train, help manage and own a small portion of the fledgling firm as it gets off the ground, said Narciso Cano, chief financial officer of Hogan Properties, a San Antonio real estate firm, and who will be president of Cisneros Group.

Charles Miller, president of Criterion, said the idea to establish the Cisneros Group came from Mr. Cisneros and his associates. "They came to us, we didn't sell him on it. It was what he wanted to do."

Mr. Miller said Criterion would provide investment management assistance to the Cisneros Group on a sub-adviser basis rather than actual investment training to Cisneros people.

Mr. Cisneros, said he was very excited about his new business undertaking. "I have searched a long time for an opportunity that I wanted to address" after leaving office in June, he said.

He said the Cisneros Group will be based in San Antonio, although Mr. Cano will set up his office with Criterion in Houston, from which asset management will be handled.

As chairman, Mr. Cisneros said he will devote his energy to "setting the direction of the company and I will focus on working to bring funds under management. I will spend a lot of time with fund officials and with corporate and public officials across the country."

H. Cisneros

He said Criterion will work with the Cisneros Group and help manage assets for about four years while the new group develops a style and track record and builds an asset base.

Criterion will own 15% of the firm.

"The key to us was that they are all excellent businessmen, leaders and managers," Mr. Miller said. "It is true they haven't managed money but we said they are starting with fine people and can fulfill virtually all the functions of an investment manager such as client services, marketing and administrative services. These are all very important to managing money," said Mr. Miller.

"What they will be doing in the short term is turning the money over to us and as we hire additional staff (for the Cisneros Group) they will eventually be able to fly on their own," Mr. Miller said.

Mr. Miller said Criterion would receive a percentage of the investment management fee charged by the Cisneros group, but he declined to elaborate.

Mr. Cisneros said that while the firm will be started and managed by Hispanics, "we want to break the stereotype that we will be a minority firm only going after public pension funds. We may be minority persons, but will not concentrate on minority business . . . Our central objective will be to address the needs of a growing market."

No clients have been lined up yet.

He said all his attention has been devoted to organizational activities only until his term as mayor expires.

Mr. Cisneros, who has been mayor of San Antonio since 1981, announced last year he would not be seeking re-election.

The popular mayor has been credited with helping develop San Antonio into a national and regional center for business and commerce and one of the fastest growing cities in the nation. ■

Rivalry

Continued from page 4

recapitalizations are less leveraged than other reorganizations, are not usually hostile and offer excellent returns, said Peter Deeks, senior vice president at Donaldson, Lufkin & Jenrette, New York.

Executives from two New York boutique firms — Dent & Co. and Pembroke Development Corp. — that specialize in these deals said they are working on several private recap deals, and institutional investors are ready to be tapped. David S. Bullett, senior vice president, TIAA-CREF, said his fund invests heavily in private recaps.

Marcus Dash, vice president at Goldman, Sachs & Co., New York, listed a variety of new products, including debt with a royalty structure that permits lenders to participate directly with issuers in the success of the business in exchange for a lower fixed interest cost. Usually these issues are structured as debt with equity participation in the form of contingent interest, share of income or royalty interest (on revenues directly).

He said the number of arbitrage-driven deals also is growing. The arbitrage opportunity occurs because issuers can take advantage of currency, tax or accounting differences in various countries. Issuers are high-credit-quality companies that are frequently raising money. The deals often involve a series of interest rate or currency swaps. Because the deals are so complex, investors receive a complexity premium, Mr. Dash said.

Kevin Newman, managing director at The First Boston Corp., pointed to growing interest among institutional investors in project financings for equipment purchases, to build power generation facilities and other industrial projects such as petrochemical plants. Structured financings such as asset-backed securities also are attracting more institutions.

Bob Joyal, vice president and managing director at Massachusetts Mutual Life Insurance Co., Boston, said his company invested $1.3 billion in private placements in 1988 and is investing heavily in employee stock ownership plan notes, an increasingly popular financing and defensive technique. "1989 may be the year of the ESOP," Mr. Joyal said.

Mall sell-offs

Continued from page 2

tell part of the story: Household formation is slowing dramatically and the Baby Boom generation is aging. In addition, Mr. Wilson said, "The country has more shopping centers than it really needs, while at the same time they're still building them, so that, combined with a proliferation of retailers, we've got dramatic overstoring."

But this isn't stopping many institutional investors from active interest in retail properties. More than 85% of real estate investment advisers are actively looking for retail properties today, according to Retail Consultants Inc., Milburn, N.J.

This sort of demand is naturally encouraging mall owners to try to book a tidy profit in 1989 by selling some properties. Peter Speis, a Goldman, Sachs & Co. vice president who oversees equity real estate sales, said he expects to see as many as 40 regional malls being offered in 1989. A more typical year, he said, would see something like a dozen regional malls offered for sale.

"We've already seen many cap rates fall into the fours or, if there are redevelopment opportunities, below four," said Mr. Speis. He cited two malls sold last year, one in central New Jersey and one in western Pennsylvania, which sold at cap rates of less than 4%.

Many of the malls entering the market are being sold for reasons tied to declining demographics and retail sales, said one insurance company real estate executive, who asked not to be identified. "We're selling malls right now. If you asked us in an interview, we'd talk about portfolio management and maturing centers and taking our profits, but (the other considerations) are the real reasons."

The combination of low yields and a cloudy future at best are throwing up warning flags for investors. "I'd tread very, very carefully today. You could get blown away. If you're buying something with a nine (percent) cap, there's some room for error. But if you're starting at five, you don't," said James B. Digney, senior vice president of real estate services at Metropolitan Life Insurance Co., New York. In contrast, he said, Met Life bought the Oakbrook (Ill.) Mall from Urban Investment & Development Corp. for a 10% cap rate in 1975.

Because of such dangers, a pension fund making its first shopping center investment today might consider waiting, said John Somers, senior vice president of TIAA, part of the $67.14 billion Teacher's Insurance and Annuity Association — College Retirement Equities Fund, New York.

"I would certainly suggest to them that unless they're in partnership with an experienced joint venture partner, don't do it, not even at 6% or 7%" returns, he said.

TIAA is planning a $500 million, 4 million-square-foot retail and entertainment complex in Bloomington, Minn., in a joint venture with Indianapolis-based Melvin Simon & Associates, the country's second largest retail developer.

The demographic considerations prompting such second thoughts include falling household formations, an expected decline of overall spending —- and a concomitant rise in savings — and a low birth rate.

Annual household formations are expected to fall to no more than 1.1 million by the mid-1990s from a current average of 1.5 million, according to George Sternleib, distinguished professor of urban studies at Rutgers University, New Brunswick, N.J.

As the Baby Boom generation enters its 40s and begins saving either for retirement or to send its children to college, the spending rate is expected to fall.

The birth rate is now 1.8 children per couple, or less than population replacement levels, compared with almost four children for the average post-World War II family. In addition, most population growth is occurring among poor, urban families, rather than affluent suburban families.

These elements, say bears, mean lower retail spending and therefore declining yields on shopping centers. They point out that in five or six years the numbers of "Boomers" entering and leaving their prime spending years will have balanced, leaving only another five or six years of retail sales growth before decline sets in as a consequence of the "Baby Bust" that followed the Boom.

This, cynics say, is why malls will be put up for sale in greater numbers than previously seen.

Shopping center bulls don't dispute the demographics, only the interpretation. The "Boomers," for instance, grew up in an inflationary environment, said Brian J. Strum, chairman of the Prudential Property Co., a unit Prudential Insurance Co. of America,, Newark, N.J.

"There's a feeling that if I buy it now, I'll save money because it'll cost more next year, and maybe I'll save enough to make it worthwhile," he said. Inflation, he added, is continuing at a 4.5% to 5% annual rate.

"Boomer" aging, said Mr. Strum, will not necessarily mean lower mall income in any event, because of ingrained generation habits like dining out and going to movies, which, in the suburbs, are the province of malls. "I think total sales will continue to be good," he said. "The (retailing) mix may change, but the sales will continue."

Mr. Strum recently put his money where his mouth is. After years of buying almost no retail property, Prudential last year invested $550 million, in a joint venture with Simon, for 50% interests in 25 malls controlled by May Department Store Co., St. Louis. Several of the malls will be redeveloped by the joint venture. ■

Hope for thrifts

Continued from page 8

concerned about how Resolution Funding Corp.'s 30-year bonds — whose principal will be met with investments in government zero-coupon bonds, entirely from existing thrift industry funds — will be received in the market. The terms of the securities — such as whether they will be defeased with zero coupons or non-marketable Treasuries — are not yet known.

Institutional ownership of S&Ls and banks*

	$	%
Savings & loans	6.3	55
Money center banks	17.2	63
Major regional banks	40	21
Other major banks	5	55

*Data as of Sept. 30, in $ billions and % of stock outstanding

Source: CDA Investment Technologies Inc., Rockville, Md.

If the proposed $50 billion infusion of long bonds into the market is staggered over three years with issues of about $15 billion per year, the supply of securities in the long-term bond market will increase 21% annually, compared with the typical 16% annual rise, according to a fixed-income research report by Drexel Burnham Lambert.

The long-term Treasury market is about $250 billion currently, the report said.

"You have created a very substantial sector of the market when you've added $50 billion in the 30-year range. . . . If the general population of investors doesn't like (RFC bonds) you could have a significant impact on the yield curve itself," said Ellen Safir, managing director of fixed income for the $5 billion Howard Hughes Medical Institute endowment fund, Bethesda, Md.

"I'm assuming (the bonds) will be long and non-callable and very high quality. There's a limited supply of instruments with those qualities," Ms. Safir said. "These items are going to be as close to Treasuries as you can get without being Treasury securities," she added.

Mr. Ciminero doesn't think the proposed dollar solution to the savings and loan crisis is adequate.

In addition, more headlines on the battles between savings and loans and banks and between the FSLIC and the Federal Deposit Insurance Corp. won't bode well for stock prices.

"Large S&Ls in trouble have been told by the FHLB or FSLIC to borrow short-term and lend long-term but now we have a flat yield curve," meaning negative interest rate spreads for these savings and loans, Mr. Ciminero said.

Fleet/Norstar Financial is neutral to modestly bullish on certain commercial bank stocks.

Kemper's Ms. Heavner has not recommended savings and loans for the past year and a half and the firm is fairly low in its savings and loan holdings.

Before the firm would emphasize thrifts, it would have to have a more favorable interest rate outlook, a more concrete sense of what governmental action will be taken long-term about restructuring of the Federal Home Loan Bank Board and the FSLIC.

Ms. Heavner sees some good values among banks, which are not as sensitive to interest rate risk, but she is not recommending a heavy weighting in the sector because of the possibility of an economic slowdown.

Institutional investors were hot on thrift stocks, especially new issues, from 1984 through the beginning of 1987, Drexel's Ms. Steinberg said.

But initial public offering prices fell sharply in the October 1987 stock market crash and have not recovered especially because institutions have been avoiding savings and loans with the recent rise in interest rates.

According to the Salomon Brothers Thrift Index, composed of 25 of the largest thrifts in the country, by early December savings and loan stock prices had declined 15% from their year-to-date high reached in early February 1988. ■

3/6/89 C2710-2

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Investment Age

DOL rejects Polaroid ploy

Trustee told to override ESOP rule

By Joel Chernoff

WASHINGTON — The Department of Labor has sent a warning shot across the bow of the trustee of Polaroid Corp.'s ESOP on its duties in a tender offer situation, but the trustee apparently won't heave to.

In a position that may limit the appeal of employee stock ownership plans as part of a corporate defense against a hostile takeover, the Labor Department wrote in a Feb. 23 letter to Citizens & Southern Trust Co., Atlanta, the Polaroid ESOP trustee, that the trustee must override the terms of Polaroid's ESOP and exercise its own judgment on whether to tender shares unallocated to participants and shares where participants have not directed the trustee.

Whether the trust, which holds 14% of Polaroid common stock, tenders its shares might be a key factor in whether hostile bidder Shamrock Holdings Inc., Burbank, Calif., is successful in its $45-a-share offer. Shamrock is the investment vehicle for Roy E. Disney.

In Delaware, where Polaroid is incorporated, a hostile bidder must obtain at least 85% of the target's stock or wait three years until it realizes the benefits of the merger.

Of the 9.7 million shares held by the ESOP, 90% are unallocated to participants,

Continued on page 43

The S&P 500 isn't what it once was

By Marlene Givant Star

NEW YORK — The Standard & Poor's 500 Stock Index, the equity benchmark most widely used by institutional investors, has become a moving target thanks to the rash of corporate restructurings during the past five years.

Indeed, 24.2% of the companies that were in the index on Jan. 1, 1984, have disappeared. Those 121 companies represented 14% of the 1984 S&P market value, according to a recent study by Tom Doerflinger and Michael Geraghty of PaineWebber Inc., New York.

Sixteen of the replacement companies also have vanished.

"The S&P 500 of January 1984 would be the S&P 379 on Oct. 31, 1988," according to an IDS Advisory Group Inc. investment policy statement commenting on the study.

Because of the restructuring wave, the S&P contains many more growth stocks than five years ago, meaning active managers are competing against a more growth-oriented index. For index fund managers, the dynamic nature of the index has made passive investing less a buy-and-hold strategy than a buy-tender-buy strategy, the PaineWebber report said.

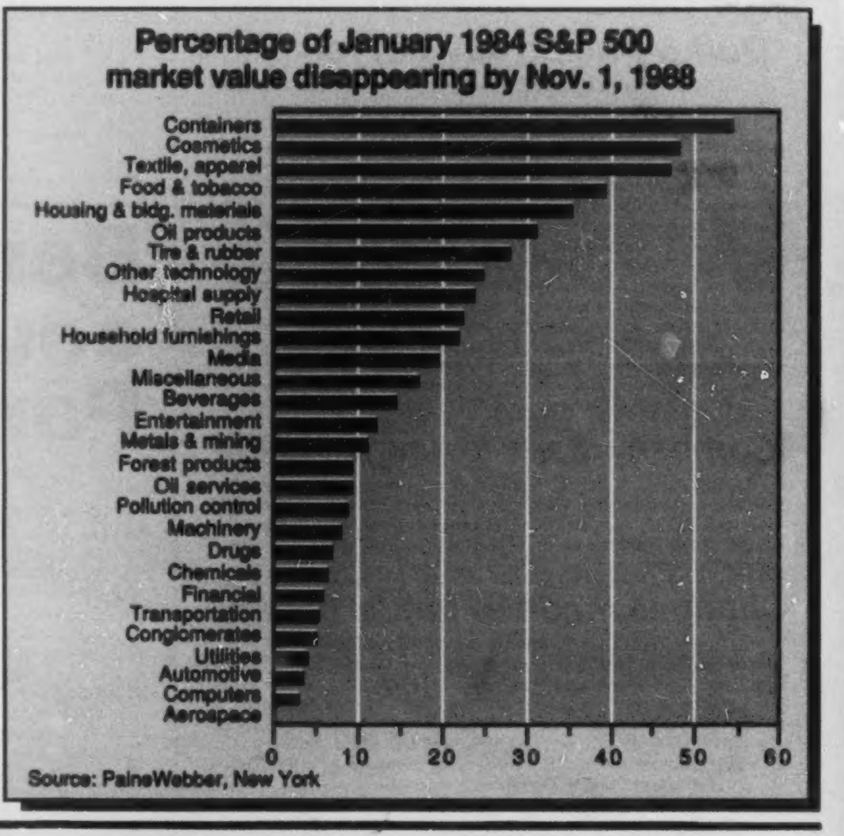
What's more, the high turnover tends to raise transaction costs — not only in terms of commissions but also because the costs of replacement stocks typically rise significantly once their inclusion in the index is announced.

"It's just hard to replace an RJR (Nabisco Inc.) or Gulf Oil (Co.)," said Douglas T. Holmes, a vice president in charge of domestic equity management at State Street Bank and Trust Co., Boston. "There have been more changes in the S&P than we suspect people realize there are."

Keeping up with the changes in the index is frustrating because a stock's opening price is at least 5% higher following the announcement of its inclusion in the S&P. State Street prefers to

Continued on page 42

Percentage of January 1984 S&P 500 market value disappearing by Nov. 1, 1988



Source: PaineWebber, New York

$1.5 billion targeted for ailing firms

By Marcia Parker
and Marlene Givant Star

Fueled by a surge in institutional capital, commitments to distressed company investments soon could reach $1.5 billion if the new limited partnership funds in the market meet their targets.

So far, institutional investors have pumped more than $500 million into limited partnerships that invest in financially ailing or bankrupt companies. The targets of funds still being marketed account for the remaining $1 billion. The money will be invested during the next two years.

Investors are attracted by lucrative returns — an average of 40% to 50% — in a still unexploited area and the view that there will be an even more abundant supply of product in the event of an economic downturn.

The investors include corporate pension funds such as Warner-Lambert Co., Morris Plains, N.J., and Dayton Hudson Corp., Minneapolis; endowments and foundations such as The Rockefeller Foundation, New York; insurance companies, including Monumental Corp., Baltimore; and a smattering of public pension funds. Cash-rich utilities also are newcomers. In addition, Oppenheimer & Co., New York, is marketing the first fund targeted solely at foreign institutions.

"We thought returns would be very favorable. It's relatively new to plan sponsor avenues of investment. We wanted to be one of the first in the area," said Marc Shapiro, director-pension investments at Warner-Lambert.

"We want to get in before there's too much money chasing too few deals" like the leveraged buy-out and venture capital areas, he said.

Continued on page 39

Firms investing in distressed companies*

Company	$ millions
Morgens, Waterfall, Vintiadis	350
Neuberger and Berman	250
Recovery Equity Partners	150
Oppenheimer	145
The Foothill Group	130
T. Rowe Price	107
Trust Co. of the West	100
Pacholder Associates	100
Amroc Investments	60
Whitman Heffernan Rhein	60
Halcyon Investments	25
Calhoun, Meehan & Co.	15

*Numbers represent amounts raised or targeted.

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LATE NEWS

Guidelines set in Texaco review

NEW YORK — In a precedent-setting agreement, Texaco Inc. accepted a decision by its equity committee to give Salomon Brothers Inc. a statement of principles to guide the investment bank in rendering a fairness opinion on the shareholder rights proposal Texaco is expected to unveil soon.

This is the first time a shareholder group, corporate executives and an investment bank have agreed to a set of guidelines for an investment bank in performing a specific assignment.

Salomon Brothers was hired by the equity committee to evaluate the company's proposal that must be submitted to a shareholder vote at the annual meeting in May.

Salomon Brothers agreed to evaluate any proposed rights plan "from the viewpoint of its fairness to common stockholders generally who hold their shares for investment purposes and do not participate in the management of Texaco or seek to obtain control of Texaco." Salomon also will take into consideration "more than the direct financial benefit conferred upon stockholders of the rights plan."

Advisers' proxy policies lacking

WASHINGTON — A Department of Labor study found many money managers fail to clearly establish who has responsibility for voting corporate proxies and numerous managers fail to keep accurate records of their proxy votes and policies.

In an anxiously awaited study to be released this week, the Labor Department sent a warning that private pension funds and money managers had better clean up their act.

The study found 61% of the 111 managers responding had voting responsibilities. Of those managers, 47% did not have specific voting authority but had assumed that role when the plan and investment documents were silent.

Duff & Phelps buy-out realized

CHICAGO — With a large part of the financing coming from some 10 pension funds and $65 million in junk bonds, Freeman Spogli & Co. and top management completed the $146.2 million leveraged buy-out of Duff & Phelps Inc.

The group paid $128.5 million to Duff & Phelps' employee stock ownership plan, the sole stockholder. The other $17.7 million went for other expenses, including fees, associated with the leveraged buy-out.

FS Equity Partners II L.P., of which Freeman Spogli, a Los Angeles-based merchant bank, is general partner, and 75 Duff & Phelps management executives put up $21.4 million and $8.6 million respectively in equity for the purchase, according to Bradford H. Freeman, Freeman Spogli partner, and Francis E. Jeffries, Duff & Phelps president. The remainder came from the 15%, 10-year subordinated notes sold by Merrill Lynch Capital Markets Inc., New York, and a $51.2 million commercial bank loan syndicated by Bankers Trust Co., New York, said Mr. Freeman.

Company starts leveraged ESOP

CLEVELAND — Parker Hannifin Corp. plans to borrow up to $70 million to establish a leveraged employee stock ownership plan. The ESOP shares will match employee contributions to the company's 401(k) plan, which has assets of $158 million, a spokesman said.

Changes made in funds' lineups

- LOS ANGELES — The $8 billion Los Angeles County Retirement Association selected Merus Capital Management Inc., San Francisco, to run a $60 million equity portfolio emphasizing stock yields. Also, Robert Hermann has been named chairman of the county retirement board.
- DALLAS — Electronic Data Systems Corp. hired Northern Trust Co., Chicago, as master trustee of the company's $214 million pension fund, according to Douglas Crow, assistant treasurer.
- BRADENTON, Fla. — Tropicana Products Inc. has selected Bankers Trust Co.'s Global Fiduciary Services Group as trustee for the company's 401(k) plan, which has about $9 million.

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Vol. 17, No. 5 — Pensions & Investment Age (ISSN 0273-5466) is published biweekly with a special edition in May, at 740 Rush St., Chicago, Ill. 60611. Second class postage paid at Chicago, Ill. and at additional mailing offices. Postmaster: Send address changes to Pensions & Investment Age, Circulation Dept. 965 E. Jefferson, Detroit, Mich. 48207. Copyright 1989.

Questionnaires overdue

The deadline to return questionnaires for the 1989 Investment Adviser issue has passed. If you have not returned your questionnaire, but wish to be included in the directory, please contact Christine Philip, directory coordinator, at *Pensions & Investment Age*, 740 N. Rush St., Chicago, Ill. 60611-2590; (312) 649-5217.

Few caught off guard by interest rate hike

By Barry B. Burr and Curtis Vosti

Corporate executives and money managers predict the Federal Reserve Board will raise interest rates further, but few will make major changes in their investment portfolios as a result.

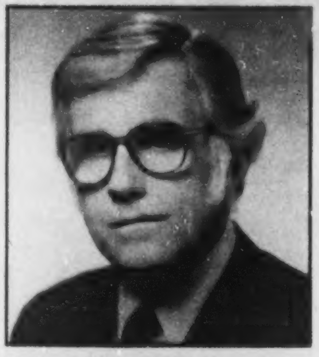
Many of those interviewed in a *Pensions & Investment Age* telephone survey agreed with the action Federal Reserve Chairman Alan Greenspan has taken to try to quell inflation fears, saying they had expected the Fed's moves.

"I think he's timing it correctly," said Jeffrey Meyer, financial analyst-pensions for the $292 million San Diego Gas & Electric Co. pension fund.

"A lot of people say it's too late, or not harsh enough," he added. "I think his gradual movements are more appropriate. Overall, I feel pretty comfortable."

"If anything, (Mr. Greenspan) has been a little slow to raise rates," said James W. Doucette, vice president-investment management at Humana Inc., Louisville, Ky.

The Fed raised the discount rate for loans it makes to banks to 7% from 6.5%, the highest rate since early 1986. The Feb. 24 move pushed the federal funds rate banks charge on loans to each other to 9.75% from 9.25%, widely influencing other interest rates.



H. Kent Atkins of Bankers Trust believes interest rates are heading much higher.

Market rates already have been climbing and showing the effects of an inverting yield curve. The yield to maturity on a 10-year Treasury bond was 9.27% March 1, compared with 8.15% a year earlier. For a 27-year Treasury bond, the yield was 9.16% up from 8.4%.

The Consumer Price Index has been climbing as well, rising in January 0.6%, or an annualized 7.2%, from a year ago, according to the latest statistics.

H. Kent Atkins, chief investment officer for the Bankers Trust Co. — Investment Management Group, New York, which manages $52.8 billion in tax-exempt assets, said, "The discount rate hike has been anticipated since November. The Fed is picking its way very carefully along this minefield, rather than charging way ahead.

"We forecast that rates are going higher, quite a bit higher before peaking perhaps later this year."

As a result, Mr. Atkins said, corporate debt service will increase.

"There's a lot of variable debt out there," he said. "Higher rates lead to lower price-earnings ratios which limits the outlook for stock and bond market appreciation. Our current position is pretty cautious."

In its balanced portfolios, Bankers Trust is 50% in stocks and 30% in cash. Equity portfolios have 20% cash.

Mr. Doucette said Humana's

Continued on page 40

Benefits ruling could turn into Pandora's box

By Joel Chernoff

WASHINGTON — A U.S. Supreme Court decision might spawn a host of litigation over whether employers properly grant benefits under retirement and welfare plans.

In a Feb. 21 ruling criticized for its murkiness, the high court held a plan administrator's denial of severance benefits is not entitled to special deference by a court.

That unanimous decision, in Firestone Tire & Rubber Co. vs. Bruch, threw out the previously accepted standard that an employee must show a plan administrator's decision to deny benefits was "arbitrary and capricious."

But Justice Sandra Day O'Connor's opinion then carved out a broad exception to the "de novo" standard the court had just established: She wrote the new standard applies "unless the benefit plan gives the administrator or fiduciary discretionary authority to determine eligibility for benefits or to construe the terms of the plan."

"That exception could gobble up the rule," said Gary Ford, a partner in the law firm of Groom and Nordberg Chartered, Washington, and who recently resigned as general counsel of the Pension Benefit Guaranty Corp.

It remains unclear to some pension lawyers whether delegating authority to plan administrators would return the plan to the "arbitrary and capricious" standard, or to some other standard.

Complicating matters further, Justice O'Connor then noted an exception to the exception. Citing trust law, she explained, "Of course, if a benefit plan gives discretion to an administrator or fiduciary who is operating under a conflict of interest, that conflict must be weighed as a 'factor in determining whether there is an abuse of discretion.' "

Experts criticized this sentence as being unclear, and some experts worried lower courts might come to varying and perhaps erroneous conclusions as to the high court's intent.

"I think that's kind of a wild card, as to how the lower courts are going to apply that," said Henry Rose, a partner in the law firm of Epstein Becker & Green, Washington.

Steve Sacher, a shareholder in the law firm of Johnson & Swanson, Washington, agreed, saying courts probably will look at such conflicts "somewhere in between 'arbitrary and capricious' and 'de novo.' "

The case involved the late 1980 sale by Firestone of its plastics division to Occidental Petroleum Co. Most of the 500 salaried employees involved were rehired by Occidental. But six employees who had been rehired sought severance benefits from Firestone under their severance-pay plan.

At the time, Firestone was not aware the plan was subject to the 1974 Employee Retirement Income Security Act and had not set up a claims procedure or met the law's reporting and disclosure requirements.

Saying the sale of the plastics unit was not a "reduction in work force" under the plan and the employees no longer were plan participants, Firestone denied the benefits claims.

A U.S. District Court ruled in favor of Firestone, saying the company's decision was not arbi-

Continued on page 43

Windfall from RJR not idled

By Andrew [illegible]

Pension-fund investors in RJR Nabisco Inc. are putting their profits into index funds or other stocks they consider to be takeover targets now that Kohlberg Kravis Roberts & Co.'s record-breaking $25 billion leveraged buy-out of RJR has closed.

Many of the windfalls — as much as $97.4 million in the case of the $87.14 billion Teachers Insurance and Annuity Association — College Retirement Equities Fund, New York — will be rolled back into the Standard & Poor's 500 index funds that held the RJR stock.

But James Severance, investment director at the $16.4 billion State of Wisconsin Investment Board, Madison, said profits from the fund's 185,000 RJR Nabisco shares were reinvested in other takeover stocks, which he declined to identify. "It was reinvested in stocks, we hope it'll be another RJR," he said.

[illegible], director of equities for the [illegible] billion Florida State Board of Administration, Tallahassee, said the fund's profits from its 330,000-share position [illegible] 13.6 million [illegible] arbitrage [illegible] was bought [illegible] money [illegible] will be [illegible]

Continued [illegible]

BICs get new respect

FDIC says it will cover bank contracts

By Fred Williams

WASHINGTON — The Federal Deposit Insurance Corp. removed a major obstacle to increased bank participation in the $150 billion guaranteed investment market by issuing a legal opinion claiming bank investment contracts from three major issuers are covered by FDIC insurance provisions.

The FDIC determination on bank investment contracts issued by Bankers Trust C[illegible] Manufacturers Hanover Trust Co., both in New York, and Washington Mutual Savings Bank, Seattle, is a major setback to the insurance industry's long-standing claim that BICs are not subject to FDIC coverage.

The three banks are the most active participants in the BIC market. The determination, however, is being interpreted as extending to BICs issued by all banks.

According to a letter from the FDIC legal division, signed by attorney Faye L. Ferguson, the three BICs meet the FDIC's statutory definition of a deposit and "would be afforded FDIC insurance coverage" of up to $100,000 per participant.

The FDIC previously had been vague on whether BICs were covered by the bank insurance program. This led the insurance industry, which has enjoyed a virtual monopoly in the guaranteed investment marketplace through guaranteed investment contracts, to claim BICs were not covered.

Insurance company executives, however, remain skeptical and are contemplating a legislative effort through the American Council of Life Insurance Companies to confront the FDIC insurance issue with regard to BICs. The council has formed a special task force to study the BIC issue.

When asked about the group's efforts, Steve Kraus, a specialist in the council's tax division, said, "We're not particularly anxious for everyone to know what we are going to do."

The FDIC letter, which is similar to a revenue ruling from the Internal Revenue Service, "puts to rest finally any question anyone has whether BICs are a deposit subject to FDIC insurance," said Hubert Forcier, partner with the Minneapolis law firm of Faegre & Benson and special counsel to Washington Mutual Savings Bank.

"Now that you have a clear statement from the FDIC, there is no real-world chance any change in the FDIC regulations could become retroactive," he said.

Steve Katsanos, a spokesman for the FDIC, confirmed the content of the letter. "The bottom line is that it is a deposit and banks will pay a premium (to the FDIC) on it. If these are being represented as a deposit, we have an exposure and should be getting insurance premiums," he said.

Mr. Forcier, and other sources, pointed out the insurance industry's argument will be made more difficult because "this is the first time (the FDIC) has said a BIC is a deposit."

Mr. Kraus said the insurance council has filed a letter with the FDIC opposing the agency's proposed regulation expanding the definition of deposits to include most general-obligation debt issued by member banks.

"Our experience is that this investment is risky and the FDIC is not fully aware of the risks," he said. "The (council) doesn't say that (BICs) aren't covered. We are only saying that it is inappropriate to cover them. We agree they are covered. We are not going to take the position that banks don't belong in the pension business selling BICs. All we want is a level playing field, and right now we think banks have an unfair advantage."

Michael Boyen, a GIC consultant with Wyatt Asset Services, Portland, Ore., said the FDIC determination is "extremely important."

Mr. Boyen said the FDIC insurance coverage is only one of several layers of protection afforded investors.

The primary factor in reviewing BIC issuers is credit analysis of the bank or "whether or not they will be whole."

An added layer of protection is whether, in the event of a bank failure, another bank acquires the failed bank — the usual course when banks fail.

Money center banks may offer even more protection. "Would the FDIC let a money center bank go under? If the government wouldn't let Continental Illinois (National Bank and Trust Co. of Chicago) go under, it is unlikely any others would be allowed to," he said.

"With insurance companies, all you have is the first level (overall credit quality). If an insurance company goes under, they can't fall under Chapter 11 (of the Federal Bankruptcy Code), they fall under the various state laws in the states where they are located," he said.

While Mr. Boyen said the letter clarifies the issue of whether FDIC insurance covers BICs, the cost of the insurance will increase. Banks now pay eight basis points annually to the FDIC in premiums based on assets.

A spokesman for Nationwide Insurance Co., Columbus, Ohio, said the issue of FDIC insurance for BICs remains questionable.

"We wonder about it. . . . I have concluded that the FDIC insurance is a legitimate thing. But we take the position that there is not the expertise (in the banking industry) in covering the risks," he said.

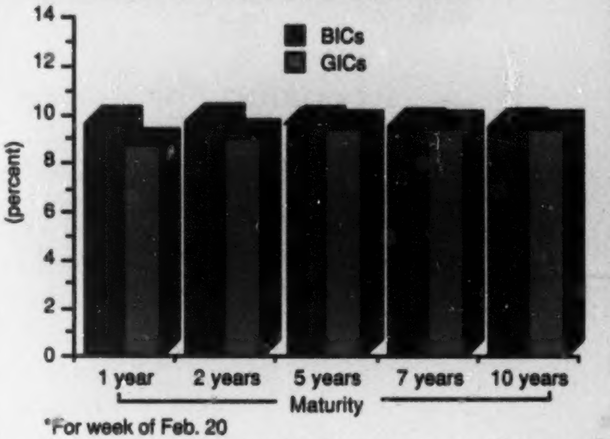
"The insurance industry makes use of actuaries in determining risks associated with these commitments, and that's not there with banks," he said.

Frank Gillis, a vice president with Southwestern Life Insurance Co., Dallas, said the use of FDIC insurance for BICs distorts the original intent of the bank insurance program.

"I don't believe the original intention of FDIC insurance was to cover this type of vehicle.

Continued on page 43

Comparison of average yields on $1 million compound bullet contract*



*For week of Feb. 20

Source: William M. Mercer Meidinger Hansen Inc., Chicago

Differences among allocators/timers

Firm	Asset classes used	Factors used	Typical move (%)	Frequency of moves
Aetna	model: stocks/bonds/cash add judgment for real estate int'l, small-cap	forecasted returns & volatility	5	5 - 8 a year
Avatar	stocks/cash stocks/bonds/cash	liquidity, momentum, yield curve, value, deflation	5 - 10	5 - 7 a year
J.H. Ayres	stocks/cash	Federal Reserve monetary policy	100	2 in past 5 years
Bankers Trust	stocks/bonds/cash	monetary, value, sentiment, inflation	5	18 a year
Boston Co.	stocks/bonds/cash	economic, value, technical, sentiment	5 - 30	twice monthly
Chancellor Capital Mgmt.	stocks/bonds/cash stocks/cash bonds/cash	monetary value, sentiment	10 - 20	11 a year
Consistent Asset Mgmt.	bonds/cash	price trends	50 - 100	twice monthly
Davis, Weaver & Mendel	stocks/bonds/cash stocks/cash bonds/cash	price trends, momentum	12.5	4 times a year
First Chicago Investment	stocks/bonds/cash/ int'l/real estate/ venture capital	value, economic	5	10 in past 7 years
First Quadrant	stocks/bonds/cash/ int'l	value, macroeconomic, sentiment	5 - 10	average 2 a month
Hoisington Investment Mgmt.	bonds/cash	economic	100	2 in past 6 years
Matrix Capital Mgmt.	stocks/bonds/cash advisory on int'l	use existing economic factors to forecast returns	10 - 20	monthly
Mellon Capital Mgmt.	stocks/bonds/cash	value	20	NA
J.P. Morgan Investment Mgmt.	stocks/bonds/cash	value, duration	3 - 5	depends on market
NCNB Texas	stocks/bonds/cash	value	15	10 in past 10 years
Northern Investment Mgmt.	stocks/bonds/cash	value	5 - 10	1 - 4 a year
Prudential Diversified Investment	stocks/bonds/cash/ int'l/real estate	value, economic	2	weekly
Renaissance Investment Mgmt.	stocks/bonds/cash bonds/cash	value	50 - 100	average 1 every 9 mos.
M.D. Sass	stocks/bonds/cash	value, economic	5 - 25	7 in past 2 years
Schield Mgmt.	stocks/cash bonds/cash stocks/bonds/cash	price trends, momentum, monetary	100	2.5 a year
TSA Capital Mgmt.	stocks/bonds/cash	value, economic, sentiment	10 - 15	depends on market
Webster Capital Mgmt.	stocks/bonds/cash stocks/cash	value - expected return	5 -10 s/b/c: 25 s/c	monthly
Wells Fargo Investment Advisors	stocks/bonds/cash/ int'l in some accounts	value	20	5 - 7 a year

Borders between timing, TAA hazy

By Trudy Ring

"Is a puzzlement," said the King of Siam, and he might well have been talking about distinguishing between tactical asset allocation and market timing.

Making that distinction, and distinguishing among tactical asset allocation firms, is one of the most difficult tasks facing institutional investors trying to select new money managers.

Definitions of the differences among tactical asset allocators, or between allocators and market timers, are as numerous as the firms claiming those designations.

In addition, the firms' differences often are slight, their similarities are numerous and combinations of the strategies are common.

In general, factors used to determine asset classes and allocations likely are the most important distinctions among tactical asset allocators, followed by size and frequency of asset shifts.

Louis Kingsland, senior vice president of Callan Associates Inc., San Francisco, sees the factors used in investment models as the major distinction between and among allocators and timers. He views market timing as a subset of tactical asset allocation.

Market timers tend to make de-

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General counsel of PBGC resigns

By Joel Chernoff

WASHINGTON — Gary Ford, general counsel for the Pension Benefit Guaranty Corp. for the past two years, has left the government to rejoin the Washington law firm of Groom and Nordberg Chartered as a partner.

A successor has not yet been named, although pension lawyers think the agency likely will pick Carol Flowe, who is deputy general counsel.

A PBGC spokeswoman said a decision on a new general counsel would not be made for a couple of weeks. She declined to comment on Ms. Flowe's prospects of getting the job.

The status of the top pension jobs in the Bush administration still is uncertain. Kathleen Utgoff, PBGC executive director, is said to be interested in the assistant secretary post at the Department of Labor now held by David M. Walker.

Mr. Walker is believed to be interested in moving elsewhere in the administration. Pension experts also said Mr. Walker is discussing possible positions with several accounting and legal firms.

Before joining the PBGC, Mr. Ford had been a partner in Groom and Nordberg, a firm that specializes in tax and pension issues. Earlier, he had served a stint as pension counsel on the Senate Labor and Human Resources Committee.

"Gary Ford has done a superb job for the PBGC and he leaves a legacy of important legal decisions and a first-rate legal department,'' Ms. Utgoff said through a spokeswoman.

Mr. Ford's two years as the PBGC's top lawyer have been dominated by the ongoing legal fight over the termination — and attempted return to the company — of The LTV Corp.'s underfunded pension plans.

But his tenure also covered several other major fights:

- A federal court ruled last November that Navistar International Corp. was liable for a portion of the unfunded pension liabilities of its former Wisconsin Steel unit, which had been sold off in 1977 and whose underfunded pension plans subsequently were terminated in May 1981 (*Pensions & Investment Age*, Nov. 28, 1988).
- The full 11th U.S. Circuit Court of Appeals supported the PBGC's view that employers do not have to pay out anticipated benefits before recapturing surplus assets (*P&I Age*, July 25). The agency had filed a friend-of-the-court brief in the case, Blessitt vs. Dixie Engine Co.

Mr. Ford also was instrumental in securing legislation requiring tougher funding standards and a variable rate premium for the agency in the 1987 Pension Protection Act. ■

CORRECTIONS & CLARIFICATIONS

- The **Russell 3000 Index** return for the month of October was 2.04. The monthly index figure was reported incorrectly in the Nov. 14 *P&I Age* October indexes.
- The location of **BARRA**, the investment management consulting firm, was reported incorrectly in the Jan. 23 issue. BARRA is located in Berkeley, Calif.
- A story in the Feb. 20 issue on **Pan American World Airways Inc.**'s proposed transfer of its leasehold interest to five of its pension plans should have said the transaction might not be enough to keep the airline independent, but will help the airline in conserving its cash. Also, as of Sept. 14, the value of Pan Am World Services Inc. stock, held as collateral for unpaid pension contributions, was increased to $104.5 million from $75 million.
- In the annual PIPER rankings published in the Feb. 20 issue, the return for the Standard & Poor's 500 Stock Index placed in the fourth decile for the 10-year period. An incorrect decile ranking was printed.

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Passive leads way for the short term

By Curtis Vosti

International indexing led the way among commingled international funds for the quarter and year ended Dec. 31, according to Pensions & Investments' Performance Evaluation Report.

The top six performers for the quarter among PIPER's 42-fund international universe were index managers. The same six were the top performers for the year.

Wells Fargo Investment Advisors, San Francisco, had the best performing fund for both the quarter and the year, returning 15.55% and 28.49% respectively. Those numbers, however, weren't enough to beat the Morgan Stanley Capital International Europe Australia Far East Index, which returned 15.7% for the quarter and 28.6% for the year.

"I wish we could claim special knowledge, but the phenomenon relates to the underperformance of active international managers," said Patricia Dunn, president of Wells Fargo.

She cited a recent study that she said indicates the average active international manager underperformed EAFE by 10 percentage points a year for the past six years. "Ninety percent of what plan sponsors get will just be for being in the markets," she said.

Wells Fargo manages about $1.29 billion in pension fund assets indexed internationally.

The commingled international indexed fund managed by Travelers Investment Management Co., Hartford, Conn., finished second for the quarter with a 15.04% return.

Unlike most, Travelers follows the Financial Times-Actuaries Europe-Pacific Index. Because the FT index is broader based than EAFE, Kent Kelley, executive vice president, said the firm uses a sampling strategy, and holds 950 issues in 10 countries, compared with the FT's 1,700 issues in 20 countries.

The international index fund of State Street Bank and Trust Co., Boston, finished third for both the quarter and the year with returns of 15.0% and 27.8%, respectively.

Peter Braun, vice president and director of mar-

Continued on page 31

Commingled international funds

3-month returns

	%
MSCI EAFE Index	**15.7**
Wells Fargo (Eq.), Calif.	15.6
Travelers (Index), Conn.	15.0
State Street Bank (Index), Mass.	15.0
American Nat'l Chicago (Eq.)	14.9
Chase Investors (EAFE index)	14.6
Prudential (Index), N.J.	14.3
NCNB Texas (Stock)	13.2
Chase Investors (Eq.), N.Y.	12.9
Centerre Trust (Coll. W), Mo.	12.3
Wellington Trust (Pacific Basin)	12.2
Morgan Guaranty (Eq.), N.Y.	12.1
U.S. Trust (Eq.), N.Y.	11.9
Bessemer Trust (E), N.Y.	11.8
Provident Capital (Low p/e), Pa.	11.6
First Chicago (Eq.)	11.4
MSCI World Index	**11.4**
Wellington Trust (Stock)	11.0
WorldInvest (Eq.)	10.9
Bankers Trust (Eq.), N.Y.	10.8
Aetna Capital-ACMI (Eq.), Conn.	10.8
Putnam Fiduciary Trust	10.7
Confederation Life (Stock), Ga.	10.2
CIGNA (Eq.), Conn.	9.8
California First Bank (Invt. eq.)	9.7
PCM Int'l (Foreign bond), N.J.	9.6
IDS Trust (Coll. eq.), Minn.	9.5
Travelers (Eq.), Conn.	9.4
WTC Capital (Coll. eq.), Del.	9.3
Wellington Trust (Emerg. eq.)	8.9
Fidelity Mgmt. (Overseas eq.)	8.7
Morgan Guaranty (Bond), N.Y.	8.4
Equitable Capital (Port. 20), N.Y.	8.1
Connecticut Mutual (Overseas)	8.0
PCM Int'l (PRINT eq.), N.J.	7.7
PCM Int'l (Global yield), N.J.	7.2
Lincoln Nat'l (SA 22), Ind.	7.2
PCM Int'l (Global bond), N.J.	7.0
First Chicago (Non-$ fixed)	6.8
WorldInvest (Fixed)	6.8
IAA Trust (CTF-I), Ill.	5.1
Marine Midland (Eq.), N.Y.	4.6
Assoc. Bank Neenah (World)	3.3
Trust Co. of the West (Global)	2.4

1-year returns

	%
MSCI EAFE Index	**28.6**
Wells Fargo (Eq.), Calif.	28.5
Prudential (Index), N.J.	28.1
American Nat'l Chicago (Eq.)	27.8
State Street Bank (Index), Mass.	27.8
Chase Investors (EAFE index)	27.3
Travelers (Index), Conn.	26.8
Confederation Life (Stock), Ga.	26.3
Provident Capital (Low p/e), Pa.	24.2
MSCI World Index	**23.9**
Chase Investors (Eq.), N.Y.	22.0
Wellington Trust (Pacific Basin)	21.9
Assoc. Bank Neenah (World)	21.2
U.S. Trust (Eq.), N.Y.	20.7
First Chicago (Eq.)	20.1
Wellington Trust (Stock)	19.8
NCNB Texas (Stock)	18.9
Centerre Trust (Coll. W), Mo.	18.5
Wellington Trust (Emerg. eq.)	18.0
Bessemer Trust (E), N.Y.	17.9
Aetna Capital-ACMI (Eq.), Conn.	17.8
WorldInvest (Eq.)	17.4
Lincoln Nat'l (SA 22), Ind.	17.1
Morgan Guaranty (Eq.), N.Y.	16.8
PCM Int'l (PRINT eq.), N.J.	16.2
Bankers Tust (Eq.), N.Y.	15.7
PCM Int'l (Global yield), N.J.	15.0
CIGNA (Eq.), Conn.	13.9
IDS Trust (Coll. eq.), Minn.	13.4
WTC Capital (Coll. eq.), Del.	13.3
Trust Co. of the West (Global)	12.3
PCM Int'l (Global bond), N.J.	12.3
Putnam Fiduciary Trust	11.4
Travelers (Eq.), Conn.	11.3
California First Bank (Invt. eq.)	11.0
Fidelity Mgmt. (Overseas eq.)	10.7
Connecticut Mutual (Overseas)	7.9
Marine Midland (Eq.), N.Y.	7.0
Morgan Guaranty (Bond), N.Y.	5.9
PCM Int'l (Foreign bond), N.J.	5.3
First Chicago (Non-$ fixed)	5.1
Equitable Capital (Port. 20), N.Y.	4.5
IAA Trust (CTF-I), Ill.	4.2
WorldInvest (Fixed)	2.1

3-year returns

	%
Wellington Trust (Pacific Basin)	41.3
American Nat'l Chicago (Eq.)	40.8
Wells Fargo (Eq.), Calif.	40.0
State Street Bank (Index), Mass.	39.9
Chase Investors (EAFE index)	39.8
MSCI EAFE Index	**39.8**
Prudential (Foreign stock), N.J.	39.1
Provident Capital (Low p/e), Pa.	35.8
WorldInvest (Eq.)	34.8
U.S. Trust (Eq.), N.Y.	32.3
Chase Investors (Eq.), N.Y.	31.9

Continued on page 30

Indexing becomes much more than a trickle in U.K.

By Michael Gray

The flow of British pension assets into indexed management has not yet become a flood, but the tide rolling in.

Although no one has any precise figures, surprisingly uniform estimates say 5%, or about $21 billion, of pension fund assets are passively managed. And there probably is another $10 billion in overseas assets managed by London managers, said Bruce Pullman, a director for County NatWest Investment Management, London. About 20% percent of the U.S. market or about $150 billion is passively managed in the United States.

"We've seen it grow significantly and have talked to a lot of people about it," said Tim Gardener, the head of asset planning for William Mercer Fraser, a London investment management firm. "More often then not, they are coming in asking us about it. It's fairly hot at the moment."

Although index funds have been popular in the United States since the early 1980s, they have been a serious option for U.K. pension directors only for about two years.

"No one wants to be the first to go in. Now that the big firms are in, it has credibility. It is no longer a novelty," Mr. Gardener said.

David Hager, a partner at Bacon & Woodrow Investment Services Ltd., London, agreed with Mr. Gardener's assessment. "We've had substantial funds moved (into passive) by a large number of firms," he said, more than $1.7 billion since December.

"It is particularly the large funds that do not want the rough ride," said Bruce Pullman of County NatWest Investment Management, London, one of the leaders in the trend toward passively managed funds.

"Eighteen months ago there was only ($3.5 billion) indexed," he estimated. "There has been a dramatic shift; the money is coming out of balanced management," Mr. Hager said.

"And this ignores a large amount of closet indexation," he said, referring to active managers who closely replicate the index. With closet indexation, pension funds are "paying active service fees for passive management that doesn't give much difference," he said.

Management fees play a small but nagging role in the reasoning behind a shift to indexation, managers said. But in the long run, most agree any savings is minimal at best because the reduced cost of passive management is balanced by the increased cost of one or two active managers employed to run the satellite portions of the fund.

Most U.K. pension funds are moving toward core passive management with active sectors, said James Woodlock, a director for Barclays de Zoete

Continued on page 30

UPDATE

Bond model offered

BERKELEY, Calif. — BARRA and Nikko Securities Inc. have teamed up to offer money managers a guide for investing in Japanese bonds.

The BARRA-Nikko Fixed Income Service provides a fully integrated and flexible framework for managers investing in the Japanese fixed-income market, according to Daniel Beck, director of product development for BARRA, the investment consulting firm in Berkeley.

The service, known as BNFIS, builds on the methodology developed by BARRA to help managers understand the U.S. bond market, Mr. Beck said.

He said the service has been in distribution in Japan since November, and has three clients. It will officially be released in the second quarter, he said.

The system uses daily and monthly quoted prices for several thousand securities to establish a model of the elements of investment value using the daily term structure of interest rates. The term structure is fully specified by interest rates prevailing over a grid of nine time intervals, he said.

Additional adjustments include spreads calculated for municipal securities, Japanese railway construction securities, Tokyo and other utilities, finance, other guarantees and a benchmark bond. The service calibrates investment risk to events in the Japanese fixed-income market during the past 10 years.

Trading data out

NEW YORK — Asian investors posted a record $40.7 billion of gross trading of U.S. equities during the third quarter, for the first time exceeding Europeans' gross activity, according to the Securities Industry Association.

But on a net basis, Asian investors sold $94 million of U.S. equities during the third quarter, while Europeans were net sellers of $103 million of U.S. securities, said the SIA. Europeans were responsible for $35.9 billion in gross trading.

Among U.S. investors, purchases and sales of foreign equities totaled $36.4 billion in the third quarter, bringing the annual pace to $143 billion. If sustained through the fourth quarter, it would represent the second highest annual showing ever, although still 24% lower than 1987's record $189 billion in gross trades, according to the SIA.

U.S. investors' net purchases of foreign stocks stood at a relatively low $200 million annual pace last year, based on nine months' data. "If the final 1988 quarter continued the pace, U.S. net purchases of foreign stocks would, except for 1987, be at the lowest level since 1981 when U.S. investors bought $200 million of foreign equities," according to the SIA.

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Wedd Investment Ltd., London. "Indexing seems to allow managers to be much more aggressive," he said.

Fees are generally lower by one-third than in the United States. "In the long term, I see the prices going up. (Fund managers) will be asking themselves, 'What am I getting for active management?' Not much in some cases. Passive is a nice cheap alternative," Mr. Hager said.

Westland Group PLC, London, shifted $227 million of its $394 million pension fund into passive management with Barclays a year ago. "We hadn't been pleased with our previous manager's performance," said Mike Westland, group pensions manager. The review was prompted by the merging of the company's hourly and staff funds.

Other companies that have shifted more of their funds into indexing in the recent past have been: The Rover Group Ltd., The Plessey Co. PLC, John Lewis Partnership, Grand Metropolitan PLC and Woolworth Holdings PLC, Mr. Woodlock said.

"In looking over the performance of our active managers, we had to establish whether they are active managers or really closet indexers," said John Suckling, director of Rover Group Staff and Hourly Paid Pension Schemes.

For Rover, nearly their entire $1.4 billion staff portfolio has been indexed, with the exception of 5% in venture capital, 8% in properties, the rest indexed or cash managed, he said. For hourly paid, slightly more than 50% of the $875 million fund is indexed.

Mr. Suckling said the October 1987 market crash had nothing to do with the change to passive management. "We were looking at performance over a long period. We cut out risk."

The look to passive management started in 1986, he said. "We put our toe in the water, setting up a relatively small index fund for our U.K. operation." After further investigation, especially after the poor performance of overseas funds, fund officials considered indexing more seriously, he said. "Certainly overseas — Europe, the U.S., Japan — they were significantly outperformed," he said of his active managers.

"(Overseas) is no place for active managers," he said. "1987 was the crash, and 1988 was a flat year, no place for active managers to show significant place or outperformance," he said, "Active managers can add value. Its a question of keeping those managers and accepting those sorts of philosophies," Mr. Suckling said.

Another relatively recent convert is Grand Metropolitan which recently shifted 25%, or $297 million of its fund into passive management, 75% of which is U.K. and the other 25% in the world index, said Michael Coombe, pension fund secretary.

The shift allows the active side of the fund to be managed more aggressively, Mr. Coombe said, noting there is room for an increase in passively managed funds.

"Pure performance is missing the real point," Mr. Pullman said, regarding the motivation to shift to passive from active. "I compare it with buying retail clothes. You could spend an awful lot to have a tailor-made suit that would look extremely nice. But if you happen to be the right size, one from (department store) Marks & Spencer off the peg could fit you very well. For certain funds, (passive) is the perfect suit of clothes."

On the other hand, "Active managers are not as awful as they look," said Tony Dye, a director for Phillips and Drew, a firm that "is very keen on active management" but has a passive branch as well.

"On aggregate, the index has not delivered the goods," he said. "We point out the pitfalls. If you are not fully indexed, you can get subindex returns when odd things happen."

In U.K. equities for the five years ended Dec. 31, 1988, Phillips and Drew returned 21.4%. The median, as measured by The WM Co., Edinburgh, Scotland, was 18.2% for the same period, and the Financial Times-Actuaries All Shares Index returned 19.5%, he said.

Public funds have been relatively slow to follow the corporate trend toward indexing. Only about $2.5 billion to $3.5 billion is indexed at the moment but it appears the stage is set for a large increase.

One of the indexing leaders in the English public sector is Gloucestershire County. Fund officials made the switch more than two years ago and now manage their $350 million fund in-house, said Sue Timbrell, the investment manager for the county council.

"We wanted to get more imaginative. I suggested indexation," she said. Now at least two neighboring counties — Devon and Dorsett — have followed her lead.

"It was much cheaper, with similar (performance) results. We liked the concepts: increased performance, reduced management fees and we wanted to increase our expertise in the office," she said. ■

Continued from page 29

Bankers Trust (Eq.), N.Y.	31.9
Bessemer Trust (E), N.Y.	31.7
First Chicago (Eq.)	31.1
Fidelity Mgmt. (Overseas eq.)	30.3
CIGNA (Eq.), Conn.	29.5
Centerre Trust (Coll. W), Mo.	29.5
Marine Midland (Eq.), N.Y.	29.4
Confederation Life (Stock), Ga.	28.4
Aetna Capital-ACMI (Eq.), Conn.	27.8
NCNB Texas (Stock)	27.4
MSCI World Index	**27.4**
PCM Int'l (Global bond), N.J.	26.2
California First Bank (Invt. eq.)	26.1
Wellington Trust (Stock), Mass.	25.9
Morgan Guaranty (Eq.), N.Y.	25.9
Equitable Capital (Port. 20), N.Y.	25.6
First Chicago (Non-$ fixed)	25.4
PCM Int'l (Foreign bond), N.J.	25.1
IDS Trust (Coll. eq.), Minn.	24.4
Putnam Fiduciary Trust	22.8
WorldInvest (Fixed)	22.5
Morgan Guaranty (Bond), N.Y.	22.0

5-year returns

	%
MSCI EAFE Index	**35.8**
American Nat'l Chicago (Eq.)	35.6
Wells Fargo (Eq.), Calif.	34.9
WorldInvest (Eq.)	30.1
Wellington Trust (Pacific Basin)	29.8
Bankers Trust (Eq.), N.Y.	29.7
First Chicago (Eq.)	28.8
U.S. Trust (Eq.), N.Y.	26.4
PCM Int'l (Global bond), N.J.	26.3
Aetna Capital-ACMI (Eq.), Conn.	26.3
Bessemer Trust (E), N.Y.	26.2
Chase Investors (Eq.), N.Y.	26.1
Marine Midland (Eq.), N.Y.	26.1
Putnam Fiduciary Trust	25.8
MSCI World Index	**25.4**
Wellington Trust (Stock), Mass.	24.9
NCNB Texas (Stock)	24.6
IDS Trust (Coll. eq.), Minn.	24.4
Centerre Trust (Coll. W), Mo.	24.1
Morgan Guaranty (Eq.), N.Y.	22.6
PCM Int'l (Foreign bond), N.J.	22.2
First Chicago (Non-$ fixed)	21.5
WorldInvest (Fixed)	21.2
Morgan Guaranty (Bond), N.Y.	19.3

10 year returns

	%
U.S. Trust (Eq.), N.Y.	22.6
MSCI EAFE Index	**22.3**
First Chicago (Eq.)	19.8
MSCI World Index	**19.5**
Morgan Guaranty (Eq.), N.Y.	17.6

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Passive leads

Continued from page 29

keting, said the $1.6 billion fund tries to replicate the EAFE index in both market weighting and stock selection. "One of the advantages of replication is that the need for balancing is very minor, and it keeps transaction costs to a bare minimum," he said.

The top performing active international manager for the fourth quarter was NCNB Texas Asset Management, Dallas. Its international stock fund returned 13.22%. Steve Myres, portfolio manager at the firm, said the $15 million fund uses a bottom-up approach to pick fast-growing companies that it can buy as cheaply as possible.

It holds about 50 issues with a normal annual turnover of 50% to 75%, Mr. Myres said. But turnover was higher in 1988 because of redemptions for clients whose increased international valuations exceeded guidelines.

The fund is overweighted in West Germany, France, Singapore and Hong Kong, Mr. Myres said, and underweighted in the United Kingdom and Japan.

Chase Investors International, the London-based subsidiary of Chase Investors Management Corp., was the second best active manager for the fourth quarter, returning 12.9%.

Rosalind Altmann, executive director, said the $125 million active fund has 70 to 80 issues and a turnover of about 40% per year.

Ms. Altmann said the fund invests along three main themes: a top-down approach, viewing currencies and markets separately and stock selection.

"We look to judge both markets and currencies and add value at both ends," she said. "We are looking at currencies as a separate asset class."

So, for example, while underweighted in the Japanese market, the fund is overweighted relative to the yen. The firm does this through forward sales of the values of its equity holdings.

Top holdings for the fund include the Belgium-based **Bekaert,** the Dutch **Hunter Douglass** and German-based **MAN** and **Linde.**

Investment Index Technologies, a subsidiary of Prudential Asset Management, Newark, N.J., was the second best PIPER performer for the year with a 28.12% return on its indexed fund.

The $262 million fund is invested in all the same countries as EAFE. Though Vice President David Hurley and Portfolio Manager John Moshberger say the fund does not hold all 1,023 stocks in the index, it does replicate country weightings. The portfolio typically has about 600 stocks and stays fully invested, Mr. Hurley said.

Active management finally had its day for the three-year period. The Pacific Basin Portfolio of Wellington Trust Co., Boston, finished at the top, returning 41.33%, compared with the EAFE return of 39.42%. It was also one of the top performing active international managers in the fourth quarter, returning 12.9%.

The MSCI Pacific Basin Index, however, returned 52.97% for the same three-year period.

According to Jerry Mitchell, senior vice president at Wellington Trust, the $7 million fund typically holds about 60 stocks. "Our philosophy is to invest in high-quality companies and companies with market leadership positions in their industries," he said.

The firm also defines some socioeconomic long-term trends and invests accordingly, he said. There is not a lot of turnover. "We'll hold and let the trend push that stock price," he said.

For example, Wellington bought **Singapore Airlines** about three or four years ago, Mr. Mitchell said, and it has more than tripled in value.

Another top performing active manager was WorldInvest Ltd., London. Its international employee benefit equity fund, with slightly less than $60 million in assets, was the third-best performer for the five-year period with a 30.06% return.

According to Ali Ansari, investment manager, the actively run fund follows a top-down strategy. Turnover on the approximately 60 stocks in the portfolio averages between 75% and 100% a year.

The fund differs from the EAFE weightings significantly, Mr. Ansari said, particularly in Japanese stocks, where the fund is currently at less than 10% invested, compared with about 65% for the index. The amount of Japanese investments has been trimmed during the past three years, he said.

"Our biggest position has been in the United Kingdom," where about 28% of the portfolio's assets are invested, he said. There are also significant holdings in Spain and Canada, both of which are about 9%, he said.

The fund is weighted primarily toward the secondary goods and mechanical transport sectors, he said. It is underweighted in the financial services sector.

"Following the crash (Oct. 19, 1987) there was much concern that a recession would follow," he said. "We did not share in that view," and so began buying cyclical and growth stocks.

The fund has holdings in **Peugot**, the French automaker, **Atlas Copco**, the Swedish mining and capital equipment firm, the U.K.-based **Glaxo** and the French chemical giant, **Rhone Poulenc**.

American National Bank of Chicago's $300 million equity fund finished second for the three-year period and first for the five-year period among the PIPER international equity funds, with respective returns of 40.83% and 35.57%.

According to Stephen Manus, managing director of equity indexing, the fund replicates EAFE as much as possible, but is invested in only 12 of the 18 countries in the index. ■

West German bank creates relations unit

NEW YORK — With an eye on the upcoming creation of a unified European Community in 1992, Deutsche Bank AG has established an international investor relations group to handle the information requirements of investors throughout the world.

Deutsche Bank is believed to be one of the first large West German companies to formalize an investor relations effort.

Foreign investors comprise 40% of the ownership of the Deutsche Bank.

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Special equity funds
(periods ended Dec. 31, 1988)

	Quarter	1 yr.	3 yr.	5 yr.	10 yr.
Highest return	17.03%	53 %	56.02%	36.01%	25.06%
First quartile	2.71	27.69	14.5	12.8	19.03
Median	1.33	18.4	10.65	9.9	16.38
Third quartile	−0.62	12.7	5.4	6.64	14.16
Lowest return	−4.27	1.79	−5.55	−2.57	12.76
Russell 2000	4.96	25.31	7.1	9.05	16.31
S&P 500	3.05	16.57	13.35	15.32	16.36

By Trudy Ring

A yield-oriented fund was the top-performing pooled special equity fund in the fourth quarter, nearly tripling the return of its nearest competitor.

Neenah, Wis.-based Associated Bank's equity income fund returned 17% in the quarter, putting it at the top of Pensions & Investments' Performance Evaluation Report's universe of 85 special equity funds managed by banks and insurance companies. Second, with 5.8%, was Mid-State Bancorp, Altoona, Pa., with its Beta fund.

The median return in the quarter was 1.3%, less than the 3.1% returned by the Standard & Poor's 500 Stock Index. The Russell 2000 returned 5%.

For calendar year 1988, the median special equity return was 18.4%, while the S&P 500 returned 16.6% and the Russell 2000, 25.3%. For the three years ended Dec. 31, the median fund returned a compound annualized 10.7%; the S&P 500, 13.4%; and the Russell 2000, 7.1%.

For the five years ended Dec. 31, the median fund had 9.9%; the S&P 500, 13.6%; and the Russell 2000, 9.1%. For the 10-year period, the respective returns were 16.4%, 16.4% and 16.3%. All returns for more than a year are compound annual.

Associated Bank's equity income fund has a goal of capital appreciation plus above-average current yield, said Ken Brusda, vice president, trust officer and one of the fund's seven equity analysts.

The fund typically puts between 50% and 60% of its assets in stocks with an annual dividend yield of at least 4%. It invests 15% to 20% in convertible bonds and convertible preferred stock, about 10% in real estate investment trusts and 10% to 25% in lower-yielding growth stocks on which it writes covered call options.

The $10 million fund stays fully invested and has low turnover, about 15% to 20% a year. It holds about 50 issues, each typically 2% to 5% of the portfolio. A few holdings are bigger; its largest position is in **Philip Morris Cos. Inc.**, which makes up about 8% of the fund.

Philip Morris fits the high-yield strategy, with a current yield of about 4.1%, Mr. Brusda said. It increased its dividend last year and likely will do so again this year, he said.

Other high-yield stocks in the fund include **USF&G Corp.**, **Texas Utilities Co.** and **Commonwealth Edison Co.** One of the convertible bonds is **Plenum Publishing Corp.** A convertible preferred issue that fared well was **Triangle Industries Inc.**, bought out by a French company in the fourth quarter. One of the growth stocks, on which the fund has written calls, is **AMP Inc.**

The fund also performed well for longer periods. "The dividend yield gives it some stability that the market wouldn't have," Mr. Brusda said. Its 40.3% return for the year placed it fifth among all funds. For the three-year period it was sixth, with a compound annual 18.9%. For the five-year period it was third, with 20.2%. It is too new for the 10-year period.

Mid-State Bancorp's $5 million Beta fund, managed by its Mid-State Capital Management unit, invests in small-capitalization stocks. Selection is based on a price movement model and the portfolio managers' comfort with the issuing companies' management, said Ralph J. Davis, director of Mid-State Capital. Some of the companies might be takeover targets and some are just beyond the initial public offering stage, he said.

The fund relies heavily on outside research; some of the best has come from Cyrus J. Lawrence Inc., New York, Mr. Davis said.

The fund usually has about 20 stocks, weighted from 3% to 9% of the portfolio. It stays fully invested and has annual turnover of about 100%. Holdings include **Copytele Inc.**, **Chronar Corp.** and **The Kroger Co.**

The fund placed in the top 30% for the year, with a 28.3% return. For the three- and five-year periods, it was below the median, with 7.9% and 8.8% respectively. It is too new for the 10-year period.

The past few years have been poor for small-cap stocks, Mr. Davis noted. "We have felt that our continued dedication to this

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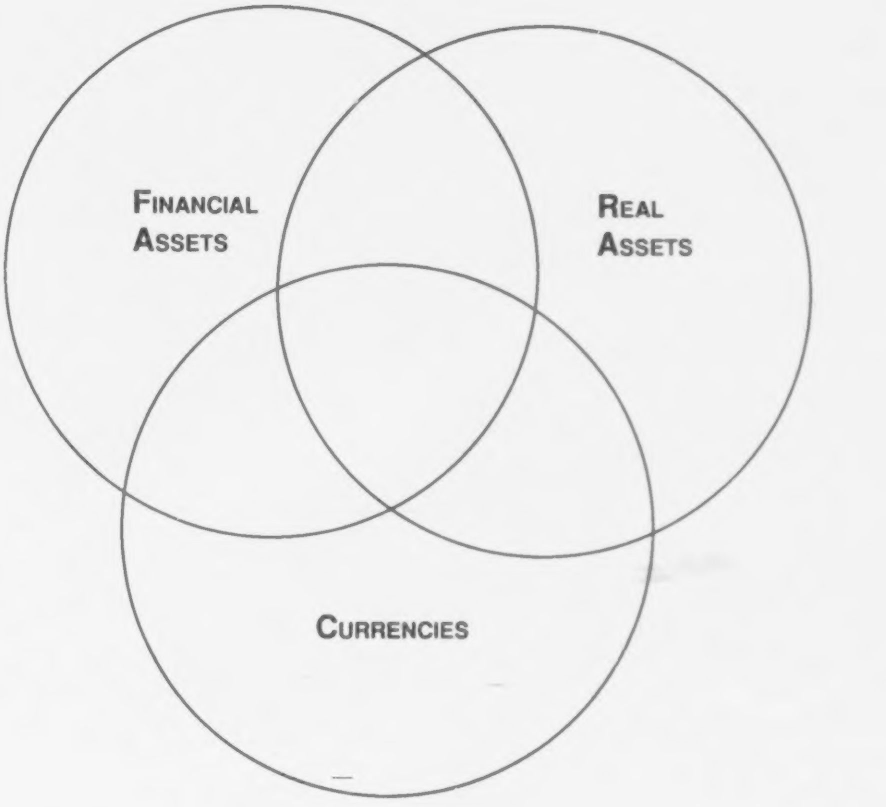

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Best fund

Continued from page 32

thing would pay off," he said.

He added Mid-State Capital measures the fund against the Value Line Index, made up of 1,700 equally weighted stocks. In every period, it has outperformed Value Line, which returned −0.86% for the quarter, 15.4% for the year, 2.7% for the three years and 3.7% for the five years.

Third for the quarter, with a 5.7% return, was the employee benefit supplemental fund offered by Connecticut Bank and Trust Co., Hartford. The $70 million fund invests in small-cap stocks, with tilts toward growth and technology issues, said Harry Sterling Jr., managing director of Constitution Capital Management, Boston and Hartford, which manages the fund. Both the bank and the management firm are subsidiaries of Bank of New England Corp., Boston.

Fund management picks stocks from three universes — core or emerging growth; improving growth; and opportunity, or undervalued, stocks. Examples of each, in order, are **Mentor Graphics Corp.**, **Texas Industries Inc.** and **Metro Mobile CTS Inc.** The fund usually carries 60 to 70 stocks, in various weightings, and stays fully invested, Mr. Sterling said.

Its 1988 return was 28.7%, placing it in the top 20% of the PIPER universe. It was slightly above the median for the three-year period, with 11.4%, and just below it for the five years, with 9%. It was back in the top 20% for the 10-year period, with 20.1%.

First for the year was Boston-based Wellington Trust Co.'s special situation fund, with 53%. The $3 million fund holds 20 to 30 stocks, weighted about equally, stays at least 90% invested and has annual turnover of 20% to 30%, said Bob Beck, managing director of Marble Arch Partners, a joint venture between its principals and Wellington Management Co., Wellington Trust's parent.

It uses fundamental research to identify undervalued companies whose value is likely to be realized in the next few years. Holdings include **UST Inc., Citicorp** and **CBS Inc.**

The fund returned 1.6% in the quarter, slightly above the median. It is too new for periods longer than a year.

Leader for the three- and five-year periods was NCNB Texas National Bank's select equity fund, with 56% and 36% respectively. The $20 million fund is concentrated in a few stocks; there now are just five in the portfolio. The cash position can vary widely, depending on whether the fund's management can find stocks it likes; the fund was 80% in cash at year end and is now down to about 50%, said David Gardner, vice president.

The fund focuses on large-cap issues with price-earnings ratios that are low relative to their industry groups. The entire fund turns over about twice a year. Holdings at year end included **Gibson Greetings Inc.** and **Eagle-Picher Industries Inc.**; since then, it has added **Anheuser-Busch Cos. Inc., Datascope Corp.** and **Ramada Inc.**

Top fund for the 10-year period was the $15 million supplemental equity fund managed by Union Bank (formerly California First Bank), San Diego, with 25.1%. It seeks small-cap companies with accelerating growth, said David Urben, investment officer and funds manager.

Holdings include **Advanced Marketing Services Inc.** and **The Flight International Group Inc.** ■

Top quartile commingled special equity funds

3-month returns

	%
Assoc. Bank Neenah (Inc.), Wis.	17.0
Mid-State Bancorp (Beta), Pa.	5.8
Connecticut Bank (Emp. sup..)	5.7
Russell 2000	**5.0**
Equitable Capital (Tangible), N.Y.	4.9
Fidelity Mgmt. (Sm. co.), Mass.	4.9
Banc One Asset, Ohio	4.7
SLH Trust (New values 3), Del.	4.4
Hibernia Nat'l (G), La.	4.4
Chase Investors (Inter.), N.Y.	4.2
Massachusetts Mutual (SIA S)	4.2
NCNB Texas (Select)	3.9
Chase Investors, N.Y.	3.6
Fidelity Mgmt. (Agg.), Mass.	3.5
Provident Capital, Pa.	3.4
Boatmen's Trust (P-1), Mo.	3.4
Markston Investment (VA 15), N.Y.	3.2
Chancellor, N.Y.	3.2
Wells Fargo (Tilts & timing), Calif.	3.2
First Wisconsin Asset (Growth B)	3.1
Standard & Poor's	**3.1**
Nat'l Bank of Detroit (Opp.)	2.8
First Chicago (Inst.)	2.8
Assoc. Bank Neenah (Reg.), Wis.	2.8

1-year returns

	%
Wellington Trust (Spec. sit.)	53.0
Society Nat'l (Central value), Ohio	47.3
Connecticut Nat'l (Sup.)	45.8
First Wis. Asset (Emerg. growth)	41.1
Assoc. Bank Neenah (Inc.), Wis.	40.3
Fidelity Mgmt. (Sm. co.), Mass.	37.3
Trust Co. of the West (Value)	35.7
Meridian Trust (Quest), Pa.	34.7
Boatmen's Trust (P-1), Mo.	34.7
Assoc. Bank Neenah (Reg.), Wis.	33.1
Wellington Trust (Non-tech)	31.9
Massachusetts Mutual (SIA S)	31.8
Wellington Trust (Emerg. tech.)	31.1
First Wachovia (Value), N.C.	29.9
Texas Commerce	29.0
Chancellor (Value), N.Y.	28.8
Connecticut Bank (Emp. sup.)	28.7
Mid-State Bancorp (Beta), Pa.	28.3
Bank One Asset, Ohio	28.2
NCNB Texas (Select)	28.0
First Chicago (Inst.)	27.9
Russell 2000	**25.3**
Standard & Poor's	**16.6**

3-year returns

	%
NCNB Texas (Select)	56.0
SLH Trust (New values 3), Del.	28.5
SLH Trust (Growth 2), Del.	26.5
Equitable Capital (Tangible asset)	23.2
First City Nat'l Houston (G-1)	22.2
Assoc. Bank Neenah (Inc.), Wis.	18.9
Assoc. Bank Neenah (Reg.), Wis.	18.1
Nat'l Bank of Detroit (Intrinsic F)	17.9
Connecticut Nat'l (Sup.)	17.8
Society Nat'l (Central value), Ohio	16.5
Massachusetts Mutual (SIA S)	16.4
The Phoenix (Growth S), Conn.	16.0
Fidelity Mgmt. (Agg.), Mass.	15.9
Harris Trust (Capital), Ill.	15.8
Security Pacific (Growth G), Calif.	15.7
First Chicago (Inst.)	15.4
Society Nat'l (Momentum), Ohio	15.0
Fidelity Mgmt. (Small co.), Mass.	15.0
Central Fidelity (Agg.), Va.	14.7
Wells Fargo (Tilts & timing)	14.3
Standard & Poor's	**13.4**
Russell 2000	**7.1**

5-year returns

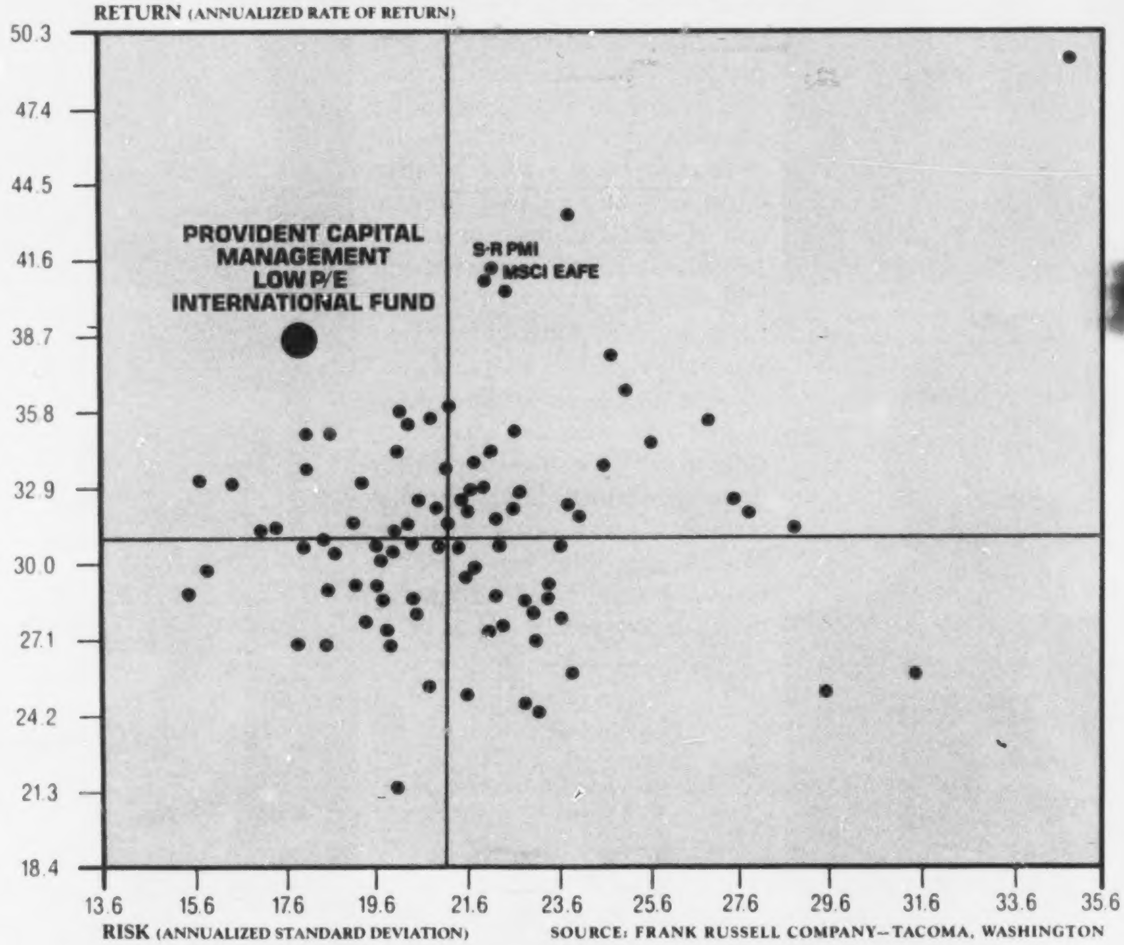
	%
NCNB Texas (Select)	36.0
SLH Trust (Growth 2), Del.	27.8
Assoc. Bank Neenah (Inc.), Wis.	20.2
Equitable Capital (Tangible asset)	19.1
Fidelity Mgmt. (Agg.), Mass.	18.3
Chancellor (Real estate)	15.4
Standard & Poor's	**15.3**
Connecticut Nat'l (Sup.)	15.2
Chancellor (Sp. value)	15.2
Chase Investors (Inter.), N.Y.	15.0
First Wis. Asset (Growth B)	13.5
Mellon Equity Associates	13.5
Nat'l Bank of Detroit (Opp.)	13.4
Trust Co. of the West, Calif.	13.2
Chancellor (Emerg. health)	12.9
Russell 2000	**9.1**

10-year returns

	%
California First Bank (Sup.)	25.1
MTrust (Growth), Texas	21.5
Norwest Bank (Sp. invt.)	20.9
Chancellor (Value), N.Y.	20.4
Connecticut Bank (Emp. sup.)	20.1
Chase Investors (Inter.), N.Y.	19.8
Bank of America (Cit.), Calif.	19.5
First Chicago (Inst.)	19.0
Standard & Poor's	**16.4**
Russell 2000	**16.3**

Low P/E works overseas, too.

RISK-RETURN COMPARISONS FOR NON-U.S. EQUITY PORTFOLIOS
3 YEARS ENDING SEPTEMBER 30, 1988



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Mortgage bonds hit standstill

By Steve Hemmerick

Investments by the nation's largest pension funds in mortgage-backed securities fell 3% in the year ended Sept. 30, the second year of virtually no growth in that asset class following several years of almost stratospheric increases.

Consultants, pension executives and money managers said rising short-term interest rates and a narrowed spread between mortgage-backed securities and U.S. Treasury instruments was a key factor for the decline during the year.

According to *Pensions & Investment Age*'s survey of the 200 largest pension funds, investments in mortgage-backed securities fell $1.6 billion to $49.9 billion as of Sept. 30, 1988, from $51.6 billion a year earlier and $50.5 billion as of Sept. 30, 1986.

Another possible reason for the decline, however, comes from a change in the Top 200 survey. This year, *P&I Age* specified use of defined benefit plan assets; this excluded defined contribution plans that had appeared on previous years' lists, such as the Teachers Insurance and Annuity Association — College Retirement Equities Fund.

Seventy-eight of the 200 funds reported investments in mortgage-backed securities.

Until recently, however, growth in that asset class had been steep, increasing 64% during the year ended Sept. 30, 1986, for example.

Pension fund holdings in mortgage-backed securities change day to day because investors quickly move in and out of that market. Rising short-term interest rates last year not only caused investors to move out of mortgage-backed securities, but also slowed the volume of securitized mortgages brought to the market.

One fund — the $20 billion New Jersey Division of Investment — increased its holdings about 19% during the year ended Sept. 30, yet began selling off securities with weighted average lives of 20 to 22 years in 1988 in favor of buying 10-year and shorter Treasuries because of the specter of rising short-term interest rates.

Roland Machold, director of the New Jersey fund, said officials wanted to shorten maturities on the fixed-income portfolio before interest rates rose. He said he couldn't estimate how much was sold.

About the sale of mortgage-back securities prior to rising interest rates, Carl Kane, a partner in the New York office of the consulting firm Kenneth Leventhal & Co., said, "It's interesting (money managers) were that prescient."

Pension funds primarily buy mortgage-backed securities for their high-quality ratings and slightly higher returns than Treasury securities.

"It so happened in 1988 we were 30% (invested in mortgage-backed securities) in most of our (fixed-income) portfolios," said Steve Thalasinos, a portfolio manager with First Boston Asset Management Corp. in Los Angeles.

First Boston is a fixed-income manager for the $2.8 billion Los Angeles Fire and Police Retirement System, whose managers eliminated fund holdings in mortgage-backed securities during the year ended Sept. 30. The fund had $139 million in that asset class previously.

In 1986 and the first part of 1987, Mr. Thalasinos said, he had been buying mortgage-backed securities with returns generally between 130 and 150 basis points over comparable Treasury securities.

"All through 1988 we started liquidating (mortgage-backed securities) because the spreads had narrowed to about 75 basis points," Mr. Thalasinos said. The spread has begun to widen again, so he is beginning to "nibble" at them once more.

Because of the rapid rise in short-term interest rates, creating an inverted yield curve, the spread between some mortgage-backed securities and Treasuries reached zero to a "minus number in some cases," said Larry Diamond, a partner with Kenneth Leventhal in Los Angeles.

Top 200 funds with defined benefit assets invested in:

Mortgage-backed securities

Fund	Assets $ millions
California Public Employees	8,200
Ohio Public Employees	5,882
New York City	5,580
Texas Teachers	3,080
California State Teachers	2,590
New Jersey Investment	2,589
New York State & Local	2,567
Ohio State Teachers	1,571
Florida State Board	1,400
North Carolina Systems	1,325
Colorado Public Employees	927
Pennsylvania Public School	874
New York State Teachers	862
State of Michigan	843
Texas Employees	688
E.I. du Pont de Nemours	606
Bethlehem Steel	550
Washington State Board	544
Alabama Systems	516
Ohio School Employees	489
NYNEX	450
Tennessee Consolidated	443
Iowa Public Employees	418
Kentucky Retirement	406
Wisconsin Investment Board	378
Ohio Police & Firemen	306
Mass. Teachers & Employees	300
Louisiana Teachers	270
Los Angeles County	264
Ford Motor	250
Pennsylvania State Employes	243
Indiana Public Employees	221
Nevada Public Employees	219
American Airlines	200
San Francisco Employees	200
UMWA	200
USX	200
Arkansas Teachers	175
Shell Oil	175
Kentucky Teachers	166
Grumman	150
State of Delaware	141
Atlantic Richfield	140
New Mexico Educational	140
Oregon Public Employes	140
Los Angeles Water & Power	136
Commonwealth Edison	135
Armco	133
Louisiana State	120
General Dynamics	115
Detroit Systems	114
Exxon	114
Mobil Oil	107
Illinois Municipal	100
Milwaukee City Employes	80
Utah State	80
Aluminum Co. of America	75
Chicago Municipal	75
Hospital & Healthcare Workers	70
Inland Steel Industries	68
Nat'l Electrical Contractors/IBEW	68
Southern California Edison	68
Kansas Public Employees	51
Minnesota Mining & Mfg.	50
Delta Air Lines	50
Tenneco	50
Chevron	44
Owens-Illinois	36
United Methodist Church	24
Army & Air Force Exchange	23
Eli Lilly	17
Int'l Operating Engineers	16
University of California	14
Hawaii State Employees	7
Nat'l Rural Electric Co-op	5
S. New England Telephone	5
International Paper	4
Philadelphia Municipal	3
Total	**49,955**

Labor wins again

Accord reached on below-market loans

By Joel Chernoff

MANCHESTER, N.H. — Two New England union pension funds have settled Department of Labor charges that they invested in below-market certificates of deposit to finance a union-only construction project.

Trustees of the two funds, the Northern New England Carpenters Pension Fund and the Plumbers and Steamfitters Local Union 131 Pension Plan, agreed to reimburse the funds for losses and to hire outside investment advisers. Both funds are based in Manchester, N.H.

The latest settlements represent another victory for the department's policy that pension funds cannot accept below-market terms even if the investment creates jobs for union members.

James M. Dawson, president of James M. Dawson Associates Inc., the plan administrator for both plans, denied the funds did anything wrong, saying trustees found it was less expensive to settle the litigation than to battle the Labor Department. Mr. Dawson said he is a past chairman of the Society of Professional Benefit Administrators, a trade group.

For the $15 million Carpenters plan, it was the second case brought by the Labor Department for allegedly financing below-market construction loans. In August 1986, the trustees agreed to reimburse the plan $220,000 for allegedly making four below-market rate loans to aid construction of a local church with union labor (*Pensions & Investment Age*, Sept. 15, 1986).

The most recent settlement imposed tougher terms on the Carpenters trustees, requiring them to retain an investment manager for at least 10 years with sole responsibility for managing the plan's assets.

The trustees and Mr. Dawson also are required to repay $62,500 to the fund under the consent order, which was entered Jan. 26 in the U.S. District Court for the District of New Hampshire in Manchester.

The trustees are Robert Morin, Robert K. Morine Jr., Theodore J. Buczek, Richard Renaud, David Jones, John G. Willard and Robert Christy.

The Carpenters fund trustees allegedly channeled half of the financing for a $3 million construction loan through the New Hampshire Savings Bank, with the $12 million Plumbers fund providing the other half.

According to the government, the Carpenters and Plumbers funds on March 15, 1984, purchased $1.5 million each of three-year CDs from New Hampshire Savings yielding 9%.

While the Labor Department complaint does not specify what the yield should have been, Mr. Dawson said the government had argued an 11% yield was appropriate.

The bank then provided financing for the construction of the five-story office building. Under the terms of the construction loan, the plans were required to maintain their investment with the bank for the duration of construction, and only union labor was to be used on the project, the Labor Department alleged.

The department also alleged that Mr. Morine violated his fiduciary responsibilities by allowing the investment to benefit his employer, Harvey Construction Co., which had been pre-selected to perform work on the project.

Similarly, the department had charged Plumbers plan trustees John Doherty Jr. and Raymond Sarosy violated conflict-of-interests rules because the investment benefited their employer, Northern Peabody Co. Inc. The other Plumbers plan trustees charged by the government were Dana French, Robert Drew, Ronald Clair, Alan Gray, Mary Boudette, Ronald Boisclari and Russell Bell.

The Plumbers plan trustees also allegedly invested $1.2 million in a second below-market rate loan to rehabilitate a building with union labor. Under the court order, which was entered in U.S. District Court in Concord, N.H., Jan. 6, the trustees were required to repay $107,000 to the plan.

Mr. Dawson, the administrator, was barred from exercising investment authority over any ERISA plan by the order in the Plumbers case.

Criticizing the department's position, Mr. Dawson said Carpenter plan assets managed by Oppenheimer Capital Corp. have achieved a return of only 7.8% for calendar year 1988, compared with the 9% yield on the CDs. The Plumbers fund also is managed by Oppenheimer.

What's more, he said, the funds had contacted three area banks in arranging the CDs, and all of them had offered the same rate. ■

Revenue options told

By Joel Chernoff

WASHINGTON — Slashing the amount employers are allowed to contribute to pension and profit-sharing plans would raise $14.5 billion in tax revenue during the next five years, the Congressional Budget Office said in a new report on budget options.

In addition, imposing a 5% tax on realized investment income of retirement plans would raise $29.4 billion between 1990 and 1994, the report said.

The annual report, "Reducing the Deficit: Spending and Revenue Options," contains a laundry list of items for Congress to explore. Many suggestions appear year after year, but are not taken up because they are politically unpalatable. Their presence on the list, however, ensures the ideas will receive some attention by legislators.

Employer representatives are worried, however, that Congress will take aim at the Section 415 limits, which restrict the amount employers can contribute to retirement plans, as a means to cut the budget deficit. Congress has trimmed the 415 limits previously as a way to raise revenue.

"What's making the whole employee benefits area so vulnerable is that benefits provide the opportunity to raise revenue without appearing to the public that taxes are being raised," said Jim Klein, deputy executive director of the Association of Private Pension and Welfare Plans, Washington.

The CBO, the budget-policy research arm of Congress, estimates that for 1990, contributions to defined benefit plans will be limited to the amount that will yield an annual pension of $103,100 at age 65, while contributions to defined contribution plans will be restricted to $30,000 per employee. A combined limit of $128,900 would apply to employees eligible for benefits from both kinds of plans.

"These funding limits are far higher than the pre-retirement earnings of most workers," the CBO report said. "Only one half of 1% of employees earn more than $128,900 a year."

Dropping the funding limits for defined benefit plans to the Social Security wage base (projected to be $50,700 in 1990), and the defined contribution limit to $14,800, and indexing the limits to inflation thereafter, would raise about $14.5 billion from 1990 through 1994, according to the CBO study.

"The principal argument against reducing funding limits is that it would make participation less attractive to high-income business owners and top managers, and thus might discourage them from sponsoring these plans both for themselves and for their employees," the study added.

But Mr. Klein said the CBO is missing the point that reducing 415 limits hinders employers' ability to pre-fund benefits even for moderate-income employees. Employers need to pre-fund on the basis of projected salaries, he said.

In other options, the CBO suggested:

- Reducing the maximum annual employee deferral to a 401(k) salary reduction plan to $4,000 from an estimated $8,800 for 1990 would save $2.4 billion during the next five years. That would retain full incentives for middle-income employees to save, but the CBO notes some argue it would be better to wait to evaluate the impact of new non-discrimination rules on employee deferrals to 401(k) plans.
- Imposing a 5% tax on realized investment income earned by pension funds and individual retirement accounts, which would raise $29.4 billion between 1990 and 1994.

Taxing realized investment income of such plans would reduce "the inequality of taxation between the higher-paid and the longer-term employees who gain the most from the current tax treatment, and the lower-paid and mobile workers who gain the least," the study said.

But taxation of investment income also could lower retirement income or raise costs, discourage use of such plans, and even cause greater disparities in retirement income, the study said.

Imposing a 5% tax also would cause pension funds to take a longer-term orientation, making it an attractive option in the current debate over mergers and leveraged buy-outs.

- Taxing other fringe benefits, such as some health insurance premiums and life insurance premiums or imposing a 3% excise tax on the value of non-retirement fringes also could generate significant revenue.
- Taxing Social Security and Railroad Retirement benefits could generate between $5.2 billion and $97.2 billion during the next five years, depending on how much of the benefits were subjected to taxation. ■

Borders hazy

Continued from page 3

cisions based on signals of market direction, such as liquidity, price momentum or market sentiment, while other allocators put more emphasis on the relative value of each asset class, Mr. Kingsland said.

Yet many firms use a blend of the two approaches.

Classic tactical asset allocators, Mr. Kingsland said, include Wells Fargo Investment Advisors and Mellon Capital Management, two San Francisco firms that take a long-term, value-driven approach, and First Chicago Investment Advisors, with an even longer-term, value-driven outlook.

Avatar Associates, New York, might be called a timer or a more active tactical asset allocator, as its model is driven mainly by liquidity, he said.

Bruce Poliquin, vice president and director of client servicing at Avatar, now rejects the timer label, although he referred to Avatar as market timers in the past. "We are measuring relative valuation, but we are not using a dividend discount model," as do many value-driven approaches, said Mr. Poliquin. "When liquidity is drying up, the value of stocks is outweighed by the value of cash reserves."

Some observers press the case that all investment management is timing.

"I for one don't take umbrage at the label 'market timer,' said Robert D. Arnott, president of First Quadrant Corp., Pasadena, Calif., who uses both value and signal indicators. No matter what factors a manager uses, the nature of the process is timing, he said.

"Everybody's a timer, whether he believes it or not," said James H. Ayres, president of J.H. Ayres & Co. Inc., Colorado Springs, Colo., and an acknowledged market timer. J.H. Ayres moves between equities and cash. Even the decision to buy or sell an individual security is a timing decision, Mr. Ayres said.

Tom Monroe, assistant vice president of Frank Russell Co., Tacoma, Wash, sees true allocators as those who follow their models strictly; when the managers overlay their models with personal judgments and allocate among more than just stocks and cash, they become what he calls "asset class timers." He declined to name firms that would fit into that category. But according to *Pensions & Investment Age* research, firms that fit this designation include M.D. Sass Investor Services Inc., New York; Prudential Diversified Investment Strategies, Newark, N.J.; Chase Investors Management Corp., New York; and Northern Investment Management Co., Chicago.

Officials at these firms said their models give them a range or guideline on asset mix, and they supplement that with judgment.

NCNB Texas National Bank, Dallas, also uses a tactical model to help manage balanced accounts. NCNB Texas portfolio managers, however, put their judgment into setting the normal mix for each portfolio, then shift that mix based on the model's recommendations, without adding further judgment, said John Meneghetti, manager of quantitative services.

Almost all the executives interviewed by *P&I Age* use quantitative tools to some extent.

Whether models involve forecasting, however, is a point of contention; most managers say their decisions depend on current, readily available information, not forecasts. This type of information, however, might have an implicit aspect of forecasting — it is valuable because it bodes well or ill for financial markets.

"I'd like to know who thinks they can do tactical asset allocation without forecasting," said Michael A. Petrino, president of Matrix Capital Management, Greenwich, Conn. "If tactical asset allocators are going to add value, they have to forecast."

"To say that we forecast is misleading," said Mike Schroer, director of research for Renaissance Investment Management Inc., Cincinnati. "It's a very fact-based methodology."

Many managers do acknowledge implicit forecasting. "If our valuation indicators are tremendously one-sided, if they're saying the markets are very overvalued, the trend is more likely to be down than up," said Steven Lauer, manager of the options and futures group at Bankers Trust Co. — Investment Management Group, New York.

Generally, firms practicing allocation or timing gradually move between the two extremes of 0% to 100% in a given asset class.

A standard move for Bankers Trust's tactical asset allocation accounts is 5%. On Oct. 20, 1987, it made about a 30% move into stocks, with most of the money coming from cash, but "that's a once-in-my-lifetime experience," Mr. Lauer said.

Firms that typically make big moves — 50% to 100% at once — include J.H. Ayres; Schield Management Co., Denver; Renaissance; Hoisington Investment Management Co., Houston; and Consistent Asset Management Co., Wilmington, Del.

The firms that make the biggest moves tend to do so less frequently. J.H. Ayres has made only two moves in the past five years, and Hoisington, just two in the past six. Renaissance's moves average every eight to nine months, although sometimes it will hold an allocation for just four to six weeks and other times for more than a year. Schield has averaged 2.5 moves a year in the 17 years it has been in business.

Consistent has made 24 moves in the two years it has been in business, but its moves are smaller.

Most allocators and timers use a mix of domestic stocks, bonds and cash. Others have stock/cash and bond/cash strategies in addition to the three-way allocation; some known mainly for stock/cash strategies, such as Avatar and Schield, recently added three-way strategies.

A few add international securities, real estate and even venture capital to the mix. Gary Brinson, chief investment officer of First Chicago, noted it's hard to move money in and out of illiquid investments like real estate and venture capital, so these serve more as places to put extra cash flow.

Some managers implement tactical asset allocation for a minority of their accounts strictly with an overlay of derivative securities. These include Wells Fargo; Mellon Capital; The Boston Co. Inc., Boston; J.P. Morgan Investment Management Inc., New York; Avatar; and First Quadrant.

J.H. Ayres doesn't use overlays because the firm makes its equity investments through large, liquid mutual fund groups. Hoisington doesn't use them because Treasury securities are so liquid.

Most of the managers function for at least some clients as "swing" managers — shifting a client's entire asset mix, even though they manage only a portion of the fund. Webster Capital Management, New York, sees itself as more a "return enhancer" than a swing manager, while some Boston Co. clients use the firm's tactical strategy for aggressive balanced management. ▪

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Various styles mark investors in ailing firms

Here are brief sketches on several key firms that invest in distressed companies.

- **Neuberger and Berman**, New York, expects to raise $250 million from individual and institutional investors for its first fund targeting troubled companies. The firm has been making bankruptcy investments for its own account for eight years. The fund will buy bank loans and other creditor positions with fund managers taking an active role in reorganizations.
- **Calhoun, Meehan & Co. Inc.**, Boston, soon will close a $10 million to $15 million fund. The lead investor is Weiss, Peck & Greer's buy-out fund, CDA III. The Calhoun, Meehan fund will be marketed mainly to high-net-worth individuals. The "revitalization fund" buys companies with between $25 million and $250 million in sales and strong middle management teams with high variable margin and high fixed costs.
- **Oppenheimer & Co. Inc.**, New York, has invested its own capital in bankruptcies for more than 10 years, but started its first fund for clients in September 1987. It recently launched an equivalent fund for foreign investors. The firm has $145 million invested in distressed companies, and expects to raise another $100 million from institutions over the next 12 months. Investments are diversified, generally in larger deals; no more than 3% to 4% is invested in the outstanding securities of any one company.
- **Trust Co. of the West**, Los Angeles, just reached its goal of raising $100 million in a limited partnership from institutional investors. TCW, which invests along with its limited partners, likes to buy secured or senior debt instruments. TCW focuses on a few large, well-known companies, often which are still profitable, that it is confident will emerge from bankruptcy.
- **T. Rowe Price Associates Inc.**, Baltimore, raised $107 million, mostly from institutional investors, for its Recovery Fund L.P. The limited partnership will invest primarily in the debt securities and liabilities of companies experiencing significant financial difficulty.
- **The Foothill Group Inc.**, Los Angeles, expects to raise about $30 million from institutions for its second fund. John Nickoll, president and chief executive officer, said the firm, which has about $100 million in another fund and its own capital invested in this area, invests in companies in bankruptcy or in some stage of restructuring and prefers senior unsecured debt.
- **Pacholder Associates**, a Cincinnati firm that manages almost $2 billion in high-yield assets mainly for institutions, has about $100 million invested mostly in debt securities of troubled companies. The firm has not raised any new money lately. President Al Pacholder said his firm maintains a diversified portfolio of 25 to 30 companies.
- **Morgens, Waterfall, Vintiadis & Co. Inc.**, New York, runs $100 million in distressed securities for individuals and foreign institutions. The firm has a fund that will close soon called Restart Partners L.P., which aims to raise $250 million from institutions and individuals. The firm has a 10-year compound annualized return of 21.7%. The firm invests passively through a diversified portfolio with the aim of rebuilding rather than liquidating businesses.
- **Whitman Heffernan Rhein & Co. Inc.**, New York, has been in the bankruptcy business since 1974 when it was investment bank M.J. Whitman & Co. Inc. It has been an independent firm since April 1987. The firm soon will close the $30 million Whitman Heffernan Rhein Workout Fund L.P. Within three months there will be a second closing, during which an additional $20 million to $30 million will be raised and pension funds will be targeted for some of the capital.
- **Magten Asset Management Corp.**, New York, manages $650 million, of which less than half is invested in bankruptcies and near-defaults. The firm buys stock, bonds and paid-in-kind preferred stock and has been in the bankruptcy investing business since 1978. The firm offers no limited partnership funds but was hired to manage a partnership for a bank trust department the firm would not identify. Most investors in the separate accounts are U.S. tax-exempt institutions.
- **Recovery Equity Investors**, San Francisco, is organizing a fund called Recovery Equity Partners L.P., which will raise $100 million to $150 million for equity-oriented investments and participation in management of bankrupt companies. The fund will target only institutional investors.
- **Halcyon Investments**, New York, launched its first fund, the Halcyon Distressed Securities fund, in January and raised $25 million. The investors were mostly wealthy individuals. The fund mainly invests in public securities of bankrupt companies. ▪

Windfall not idle

Continued from page 2

takeover targets, he said.

Mr. Janecek said he thinks the Federal Reserve Board's recent ruling that companies with debt-to-equity ratios of one-third or higher that engage in leveraged buy-outs be considered "highly leveraged" — and therefore risky enough to require high-interest loans — will crimp merger and acquisition activity, but not significantly.

"There seems to be no shortage of deals to go into right now," he said. Although he cited **Texas Eastern Corp.**, **Burlington Resources** and **Pennwalt Corp.** as examples, he would not say if the Florida fund had acquired positions in those firms.

The Kentucky Teachers' Retirement System, Frankfort, sold its 310,000-share RJR Nabisco position prior to redemption, and put the money into Treasury-based repurchase agreements and then rolled some of the overall profits into **Exxon Corp.**, **General Motors Corp.** and **Wal-Mart Stores Inc.**, companies in which it had previous holdings. The balance, according to Stuart A. Regan, the fund's investment officer, is still in repos and 5-year Treasuries, with most of it earmarked for the bond market. ▪

Bankruptcy

Continued from page 1

One of the newest firms to enter the bankruptcy arena is Amroc Investments L.P., started by Phillip G. Schaeffer and Marc Lasry, who started the bankruptcy investment department of Cowen & Co., Boston, in January 1987. Amroc Investments plans to raise $60 million to be invested mainly through private debt vehicles.

Other firms marketing funds include Morgens, Waterfall, Vintiadis & Co. Inc., New York; Recovery Equity Investors, San Francisco; and Halcyon Investments, New York.

The leaders in raising institutional capital for bankruptcy investments thus far have been investment banks, commercial banks and finance companies. They include: Whitman Heffernan Rhein & Co. Inc., a private investment bank in New York; Oppenheimer, the New York brokerage house; The Foothill Group, a Los Angeles commercial finance and asset-based lending institution; Trust Co. of the West, Los Angeles; and R.D. Smith & Co. Inc., a New York brokerage firm specializing in the trading of securities of companies in financial trouble.

Limited partnerships investing in troubled companies have begun to pique the interest of a growing number of institutional investors looking for high returns amid a broadening array of corporate finance-related investments.

Another propellant has been the erosion of the stigma associated with bankrupt companies, in large part because many profitable companies like Manville Corp. and Texaco Inc. sought the protection of bankruptcy court for reasons other than financial ailments.

Leveraged buy-outs expected to fail in the event of a recession will be a source of diverse, quality investment opportunities, bankruptcy fund managers say.

"LBO companies in trouble usually don't need an operating turnaround, they just need to shrink debt. Chapter 11 is good for that," said James Heffernan, managing director of Whitman Heffernan.

Despite growing investor enthusiasm, those who have marketed funds recently admit it isn't easy to raise money for these partnerships, in part because the stigma isn't entirely gone.

Another obstacle is the fact many states bar public pension funds from investing in the securities of bankrupt companies. In addition, corporate pension executives are unsure how much, and in what vehicles, they may invest in defaulted bonds under the Employee Retirement Income Security Act.

Institutional investors compare their interest in distressed company limited partnership funds to the pioneering leveraged buy-out pools assembled several years ago. Many cutting-edge institutions invested in these pools to capture what were then extremely sizable returns.

The $1 billion Warner-Lambert pension fund has committed $10 million to T. Rowe Price Associates' $100 million fund, the pension plan's first bankruptcy investment. Warner-Lambert executives liked the fact the fund invests mainly in private debt, which promises better returns, Mr. Shapiro said. The plan expects to earn about 30% annually.

Bankruptcy securities also offer investors a good source of diversification. "This type of investment is to a large degree market independent," said Jeffrey Stern, managing director of Oppenheimer, explaining the performance of bankrupt companies isn't correlated to stock market movements.

He added there's room for ample returns, as there was more than $5 billion in defaulted bonds in 1988, far exceeding the amount available for investment in the area.

Many institutional investors, however, are worried the field already is getting crowded, a complaint heard many times with respect to leveraged buy-out pools.

Consultants and other experts said it will be a good test of the market to see whether the funds now raising money from institutions will reach their goals. Many believe the lofty returns associated with early troubled-company funds — ranging from a low of 20% to as much as 300% on "home runs" — will fall in the not too distant future, as they did with leveraged buy-out funds.

"There's a lot of money finding itself into the arena," said Jack Meyer, treasurer and chief investment officer of The Rockefeller Foundation, which has $10 million invested with Oppenheimer. "We suspect we won't make any new allocations."

Styles of bankruptcy investing range from the diversified portfolio approaches of firms like Oppenheimer and T. Rowe Price to more concentrated investments like Whitman Heffernan Rhein, to turnaround or recovery investors like Calhoun, Meehan & Co. Inc., Boston, which acquires troubled companies.

The firms buy everything from public debt and equity securities to private bank debt. Some limit their investments to only senior secured securities; others don't mind buying subordinated debt. ■

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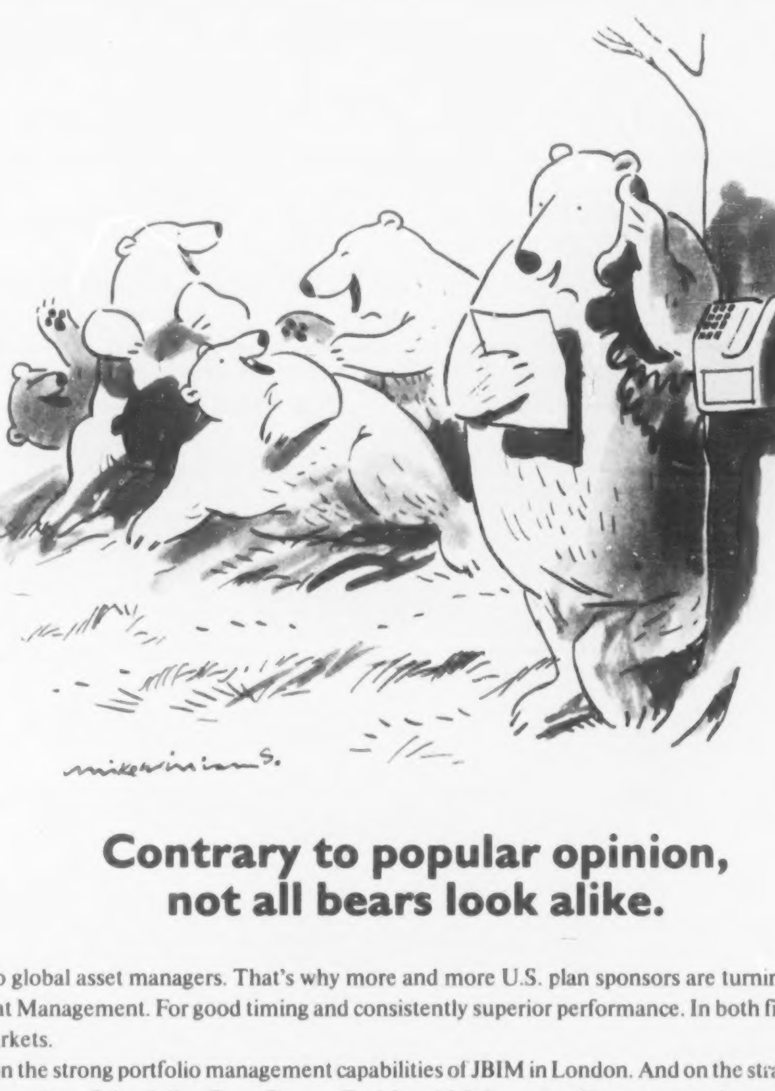

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INVESTMENT MANAGEMENT INC.

Economist sees peril in debt levels

NEW YORK — Add another voice to the chorus of economists, lawmakers and others sounding alarms about the leveraging of corporate balance sheets.

In a newsletter, Robert Schwartz, vice president-senior financial economist at Merrill Lynch Capital Markets, said the market was skewed by the rash of acquisition-related debt financing in 1988. He noted that through the first three quarters of 1988, net redemptions of non-financial corporate equity soared to a record $109 billion annual rate, adding to the $313 billion of stock liquidations that occurred from 1984 through 1987. But during the same time frame, corporations added $750 billion of new debt.

"Statistically these numbers suggest that acquisition activity has been responsible for about 50% of new corporate debt creation since 1984. Moreover, the data do not capture the megadeals announced in the fourth quarter, including the $25 billion RJR Nabisco Inc. leveraged buy-out, which should shatter previous quarterly records," he said in his newsletter.

Mr. Schwartz said the huge influence of acquisition activity has led to a growing discrepancy between the financing needs generated from operations and actual borrowing by corporations.

The ratio of credit market borrowing to capital spending by non-financial corporations has jumped to an average of 46% during the past five years from 26% in the 1975-'83 period. The growing mountain of acquisition-related debt is boosting operating expenses by generating higher interest payments. In the third quarter, the $114 billion of net interest payments accounted for 25% of cash flow, Mr. Schwartz said, a record for a non-recessionary period and up from 18.5% in mid-1985.

These payments coupled with rising unit labor costs have started to crimp cash flow, resulting in a widening gap between capital spending and internally generated sources of funds, according to the economist. The financing gap of non-financial corporations jumped to a $53.5 billion annual rate in the third quarter, nearly 50% above the first quarter level. He predicted the gap should continue to widen during the next several quarters.

Mr. Schwartz expects the funding requirements associated with acquisitions and leveraged buy-outs, together with the widening financing gap, to lift corporate borrowing requirements during the next several months. These requirements will be satisfied mostly in the short-term markets, Mr. Schwartz said.

The bias toward short-term financing together with the markets' reaction to an actual and expected firming of monetary policy have contributed to a dramatic flattening of the yield curve in recent months. The prospective mix in the demand for funds indicates the curve will remain flat through the early months of 1989. He looks for issuance in the bond market to pick up as 1989 unfolds, assuming the market environment is receptive.

Ultimately, Mr. Schwartz said, the ability of corporations to successfully tap the bond market will depend on the prospective supply of funds available to issuers. He cited several trends supporting a pickup in issuance in 1989.

He noted foreign investors have returned to the corporate bond market. Reflecting a pickup in Eurodollar financing by U.S. corporations, foreign investors absorbed 18% of net bond issuance in the third quarter, up substantially from the 12% share in 1987 and nearly as much as the 20% share in 1986. Although the dollar will probably will weaken further next year, foreign investors should be attracted to the higher interest rates on U.S. securities relative to those on other currencies and continue to favor fixed-income markets over equities in the United States.

He said U.S. investors also continue to show a preference for fixed-income securities. Both private pension funds and mutual funds are channeling all new investment flows to the credit markets while liquidating equities, Mr. Schwartz said. The dominant player in the corporate bond market — life insurance companies — are experiencing a surge in inflows owing to the booming demand for guaranteed investment contracts associated with the growth in defined contribution plans as well as for annuities to satisfy pension obligations left unfunded by defined benefit plan terminations. ■

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buy new S&P stocks soon after the S&P announcement.

Of State Street's $11 billion in passive domestic equities, approximately $8 billion is in S&P index funds.

The period from Jan. 31, 1984, to Oct. 31, 1988, was selected for PaineWebber's study because that was when the supply of equity began to shrink at an unprecedented rate.

The heavy turnover has increased return on equity of the S&P by about 79 basis points because smaller, less profitable companies were the most affected by the restructuring wave.

Small-capitalization stocks in the 1984 S&P 500 were more likely to disappear than larger ones; about half of the smallest stocks have disappeared.

Larger companies were relatively unaffected. The top 15 companies accounted for 25% of the S&P market capitalization and escaped the restructuring trend unscathed. The top 50 S&P companies accounted for 46% of the index's value, and six companies disappeared.

The companies that disappeared tended to have below-average returns on equity; 45% of the disappearing companies had ROEs of less than 10% while only 8% had ROEs in excess of 20%. Of the companies that replaced the dropouts, 32% had ROEs greater than 20%.

"In the last year, the changes I've seen (in the S&P) have definitely been (toward) growth-oriented stocks," said Jeanne Valcik, associate investment officer of the $3.2 billion Illinois State Universities Retirement System, Champaign, which invests about 25% of its assets in a Wilshire 5000 index fund.

Among all industries, 14.1% of the market value of the S&P was lost during the five-year period. Eighty-eight companies disappeared because of mergers and acquisitions, 36 because of leveraged buy-outs and 13 because of Chapter 11 proceedings or severe financial difficulties.

The representation of several industries was sliced during the period. The hardest hit was the housing and building materials industry, which lost 34.2% of the market value in the sector. In addition, 27.9% of the market value of the energy sector and 27% of the market value of the consumer non-durable sector disappeared.

Companies in these sectors that disappeared include **American Standard Inc.**, **Jim Walter Corp.**, **Gulf**, **Chesebrough-Pond's Inc.**, **Revlon Inc.**, **General Foods Corp.**, **Kraft Inc.**, **Pillsbury Co.**, **Nabisco Brands Inc.**, **Allied Stores Corp.**, **R.H. Macy & Co. Inc.**, **Levi Strauss & Co.** and **Burlington Industries Inc.**

(Although Standard & Poor's Corp. once adhered to certain guidelines in allocating companies by sector, the firm now has floating sector weightings.)

Replacement companies are midsize growth companies in the health, technology and finance sectors. In addition to higher ROEs, the companies typically are smaller than the typical S&P 500 company. Of the replacement companies, 58% had market caps of less than $1.5 billion, vs. 38% for all companies in the S&P 500 in 1988.

Among the replacement companies are **Rubbermaid Inc.**, **Albertson's Inc.**, **The Home Depot Inc.**, **Medtronic Inc.**, **Air Products and Chemicals Inc.**, **Great Northern Nekoosa Corp.** and **Cray Research Inc.** ■

The disappearance of small-cap stocks

Market cap ($ millions)	%
10-249	52.6
250-499	40
500-999	29.7
1,000-1,499	20
1,500-1,999	15.5
2,000-2,999	20.4
3,000-4,999	5.1
5,000 plus	14

Percentage of stocks that disappeared between January 1984 and November 1988 by market capitalization.

Source: PaineWebber, New York

Axe-Houghton evolves as fixed-income firm

TARRYTOWN, N.Y. — Axe-Houghton Management Inc., long known as a growth stock manager, is emerging as a significant manager of fixed-income assets.

Fixed-income assets under management by the firm have climbed to about $1.5 billion from about $100 million in early 1986.

Of the current total, $268 million is for tax-exempt clients, with the remainder coming from USF&G Corp., Axe-Houghton's parent, and its insurance subsidiaries. Most of the USF&G assets were phased in over the latter part of 1988.

In the year ended Jan. 31, Axe-Houghton has picked up a $100 million fixed-income account from the City & County of San Francisco Employees Retirement System; a $30 million fixed income account from the Kern County Employees Retirement System, Bakersfield, Calif.; and $30 million fixed income from Local 814 of the Teamsters Union, Long Island City, N.Y.

The USF&G accounts have given Axe-Houghton's fixed-income investment operation a critical mass it might otherwise have taken years to achieve, despite excellent investment returns.

Axe-Houghton's fixed-income investment efforts were an adjunct to the equity management efforts and existed so the company could offer balanced accounts, said Robert E. Manning, director of fixed-income investments. But the company's long-term fixed-income record was too good to ignore, he said.

For the five- and 10-year periods ended Sept. 30, the firm's composite fixed-income results placed it in the top 1% of the SEI Funds Evaluation universe, with respective returns of 16.3% and 13.5%. For shorter periods, the 1987 calendar year return of 0.6% placed the firm just below the SEI median of 1.4%. In 1988, the company was in the SEI 15th percentile with a return of 14.4%, compared with 13.4% for the Salomon Brothers Broad Investment Grade Index. For the one- and five-year periods ended Dec. 31, the Salomon BIG Index returned 0.2% and 12.7% respectively.

According to Mr. Manning, Axe-Houghton's fixed-income style is a "high-quality corporate" approach. "We like to employ the corporate side because we think that if you use corporate bonds in a portfolio you can get around a 60- or 70-basis-point return for being exposed to corporate risk," he said.

"We are typically long-bond managers as well. We try to manage so the duration of the portfolios is one or two times that of the bond indexes."

Now, the portfolios are shorter than the Salomon BIG Index and have a higher proportion of government and agency securities than is normal.

"What we try to stress in the portfolios in general is credit and quality spreads."

Mr. Manning said the portfolios were positioned conservatively, and he did not expect to be able to call the turn in interest rates. ■

GEIC selects State Street as sole custodian

STAMFORD, Conn. — General Electric Investment Corp. has consolidated its custodial arrangements by dropping Chase Manhattan Bank and the Bank of New York and hiring State Street Bank and Trust Co., Boston.

State Street will be the domestic and global custodian and handle all back-office services related to the daily management of GEIC's more than $30 billion in investments.

GEIC is responsible for General Electric Co.'s pension and other employee assets. A GEIC spokesman said GEIC switched to save money and because of the "technological and globalization advancements made by State Street in security movement and control systems."

For State Street, with more than $625 billion in assets under custody, the new arrangement represents the first time a corporate client "has taken us up on using all our services in an integrated way," said Ron Golz, executive vice president at State Street.

To help handle the new business, State Street is establishing a special administrative unit at its Quincy, Mass., location. The unit will provide custody and consolidated accounting and reporting services.

Prior to the arrangement, the GEIC staff was responsible for its own investment accounting, and used Chase Manhattan as custodian for pension fund assets and the Bank of New York as custodian for most mutual fund assets. State Street has been custodian for one GEIC mutual fund and investment manager for one international index fund.

Also, State Street announced the Pension Benefit Guaranty Corp. renewed its contract for benefit payment services. State Street performed the service for about two years, and won the five-year renewal in competitive bidding. ■

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PENSIONS & April 3, 1989

InvestmentAge

The newspaper of corporate and institutional investing $5 an issue · $110 a year

Proxy activity nearing boil

By Marcia Parker
and Joel Chernoff

Corporate executives are being urged to take back the proxy voting authority they had delegated to outside money managers.

At the same time, a powerful business group and a leading institutional shareholder organization are trying to build bridges, and the Securities and Exchange Commission may be stepping into the proxy voting picture.

Key initiatives that will significantly affect the evolving relationship between [illegible] America and institutional investors are:

- H. Brewster Atwater, chief [illegible] officer of General Mills Inc., suggested in a [illegible]00 members of the Business Roundtable that [illegible] executives revoke any proxy voting autho[illegible]y might have delegated to outside investment managers and retain the vote for themselves. Mr. Atwater is chairman of the Roundtable's corporate responsibility task force.
- The Council of Institutional Investors, which meets today and tomorrow in Washington, is working closely with the Business Roundtable on several fronts, including the appropriate role for boards of directors. The council has 60 public and union pension fund members representing more than $300 billion.

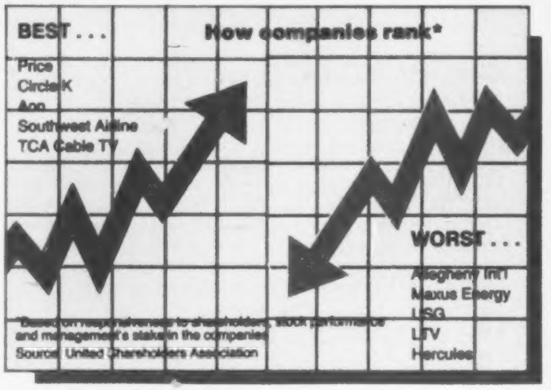
The two groups are discussing the possibility of establishing an American counterpart of a British group created by the Bank of England to persuade companies to appoint more outside directors. The council also has a project under way to open discussions with the boards of five leading U.S. companies.

- The SEC staff will take a hard look at how registered investment advisers and mutual funds handle their proxy voting responsibilities, and could extend the Department of Labor's proxy voting guidelines for pension funds covered by the Employee Retirement Income Security Act to these other institutional investors. The SEC, however, is unlikely to tackle the issue for this proxy season.
- The United Shareholders Association, a shareholder group founded by Texas oilman T. Boone Pickens, unveiled a ranking of 1,000 companies on the basis of responsiveness to shareholders, stock performance and management's stake in the companies. USA is hoping shareholders will use the ranking to help them decide how to vote.

These efforts come at a pivotal point, as institutional investors and corporate executives struggle for common ground while recognizing the need for better communication. At the same time, government regulators are taking steps that affect their relationship.

The Labor Department, long reluctant to lay down the law when it comes to proxy voting, has been building its position by monitoring voting procedures and issuing comment letters to various companies on their internal practices.

Any action by the SEC will affect millions of shares held by mutual funds and money managers on assets not covered by ERISA.



*Based on responsiveness to shareholders, stock performance and management's stake in the companies
Source: United Shareholders Association

"I think the Labor Department is on the right track, that you can't say, 'Ho-hum,' you just can't vote with management or vote with your feet," said Kathryn B. McGrath, director of the SEC's investment management division.

In a recent speech, Ms. McGrath said the SEC staff plans to bring the issue to the full commission and find a way to allow industry to make its views known.

The SEC regulates registered investment advisers under the Investment Advisers Act of 1940 and mutual funds under the Investment Company Act of 1940, but does not oversee assets held in bank trust

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Airline shifts stocks

By Nancy K. Webman

FORT WORTH, Texas — American Airlines is reducing the amount of equity pension assets run internally and is switching to a more passive approach for the equities that will remain in-house.

The airline will hire a new money manager for the $40 million to $50 million that will be removed from the $100 million in-house equity portfolio, said William F. Quinn. Mr. Quinn is president of AMR Investment Services Inc., the investment management subsidiary that oversees American's $3.1 billion in employee benefit assets.

William Quinn says American's equity managers outperformed the in-house portfolio.

He said the new manager will come from American's version of a farm team, a roster of candidates when American has an opening for a manager. Like American's other managers, the new one will have a balanced, low price/earnings approach.

American is scaling back the in-house equity operation because the internally managed portfolio couldn't outperform the fund's external managers.

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Criterion up for sale

Deal hits a snag at last minute

By Fred Williams

HOUSTON — The Criterion Group Inc., parent of Criterion Investment Management Co., is negotiating to be acquired by an unidentified suitor, just two years after becoming publicly held.

The deal was to be sealed March 29, but was postponed, sources said.

Sources say potential buyers include foreign and domestic insurance and financial services companies such as Transamerica Corp., San Francisco, and Torchmark Corp., Birmingham, Ala.

Criterion's executives likely want to move away from the mutual fund business and to take profits from the business, just as they did through Criterion's initial public offering in November 1986.

They said potential buyers would view Criterion as a cash cow because money management firms generate strong cash flow through fees and business revenue once initial fixed costs are recovered. Management and advisory fees made up the bulk of Criterion's revenue during the past several years.

Following several months of speculation within the investment community, Criterion issued a brief statement last week saying negotiations with "a party interested in acquiring all outstanding shares" of Criterion stock were in progress.

Charles Miller, president and chief executive officer at Criterion, declined to comment further. In the statement, he said "given the right business combination, Criterion could expand significantly its level of operations while maintaining its continued level of excellence of investment performance and client commitment."

Goldman, Sachs & Co., New York, reportedly has been retained by Criterion to help find a buyer. Goldman was the lead underwriter for Criterion's IPO.

Criterion Group is a holding company for the investment management subsidiary and a group of mutual funds and venture capital partnerships. The company has more than $10 billion in assets under management.

Criterion stock has been trading heavily in recent days, closing at a new 52-week high of $14 per share March 29, up $1.75 in national over-the-counter trading. With almost 6.3 million shares of common stock outstanding, the stock

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LATE NEWS

Retiree benefits subject of letter

WASHINGTON -- The Internal Revenue Service issued a private letter ruling stating an employer, under certain circumstances, may make tax-deductible contributions to even a fully funded pension plan to provide for retiree medical benefits.

Employers with fully funded plans have shied away from establishing retiree medical accounts under Section 401(h) of the Internal Revenue Code because of uncertainty over deductibility of contributions, which may not exceed 25% of aggregate employer contributions to the pension fund.

In its March 23 letter, however, the IRS said an employer who cannot make pension contributions because of full-funding limitations may determine the 25% retiree medical contributions limit by using the cost of contributions, under the projected unit credit actuarial cost method, and other reasonable assumptions regarding medical benefits.

The IRS declined to identify the employer that requested the ruling. It can be used legally only by the employer requesting it, but it does indicate the IRS' general position on an issue.

According to TPF&C, Chicago, the ruling opens an attractive option to employers interested in funding retiree medical obligations to mitigate the effect of proposed accounting changes.

Batterymarch acquires AgriVest

BOSTON — In its first switch away from stock market investing, Batterymarch Financial Management has purchased AgriVest Inc., a Glastonbury, Conn.-based manager of agricultural lands. The purchase price was not disclosed.

AgriVest's President George Schwab, Executive Vice President James McCandless and four other principals will retain their roles in the new affiliate, called Batterymarch/AgriVest Co. AgriVest was formed in 1983 as a spinoff from the agricultural investment division of Connecticut Mutual Life Insurance Co. The firm manages $325 million in taxable assets.

W. Virginia treasurer impeached

CHARLESTON, W. Va. — The state treasurer was impeached March 29 by the West Virginia House of Delegates for his responsibility in the 1987 loss of $279 million of the value of the state's $1.2 billion Consolidated Investment Fund.

The fund is composed of various municipal fire and police pension funds as well as operating assets from various state and local agencies. The fund contains no state pension money.

The 17 articles of impeachment, approved 65-34, allege that Treasurer A. James Manchin didn't provide proper oversight of the fund, improperly delegated authority and violated investment guidelines, according to Mike Mowery, chief counsel for the House Judiciary Committee.

Mr. Mowery said Mr. Manchin is alleged to have allowed staff to invest the fund's assets in securities with maturities exceeding 10 years without receiving the required approval of the State Investment Board and also with investing more than 15% of the assets in reverse repurchase agreements. Mr. Manchin is expected to be tried by the state Senate in May.

Battle between states heats up

HARTFORD, Conn. — Two Connecticut state lawmakers are calling for the $6.2 billion State of Connecticut Trust Funds to divest of all holdings in New York-based corporations to retaliate against New York state for imposing what they say is an unfair tax on Connecticut commuters.

Since New York Gov. Mario Cuomo enacted a tax on Connecticut commuters last month, the two states have been locked in a fierce tit-for-tat battle. Last week, Connecticut state Sen. Jim Maloney and Rep. Barbara Ireland proposed a tax on New York residents who commute to Connecticut, divestiture of state holdings in New York-based companies and a ban on the purchase of New York-made goods and commodities.

"We're still shell shocked," said Frank McDermott, assistant treasurer of the state pension fund.

Funds select money managers

- LITTLETON, Colo. — The $24 million Arapahoe County Retirement Fund hired its second investment manager, The Chicago Group, a unit of Morgan Stanley Asset Management, to run $12 million in a balanced account more heavily weighted toward equities, according to County Treasurer Dorothy Vogt.

The fund's other manager, Denver Investment Advisors, will continue with a $12 million balanced account, more heavily weighted in fixed income, said Ms. Vogt.

- EDMONTON, Alberta — The $837.7 million Alberta Government Telephones Employees' Pension and Death Benefit fund hired State Street Bank and Trust Co., Boston, to run $21 million in a Morgan Stanley Capital International Europe Australia Far East index fund, according to Bob Bertram, director of the pension fund.

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Vol. 17, No. 7 — Pensions & Investment Age (ISSN 0273-5466) is published biweekly with a special edition in May, at 740 Rush St., Chicago, Il. 60611. Second class postage paid at Chicago, Ill. and at additional mailing offices. Postmaster: Send address changes to Pensions & Investment Age, Circulation Dept. 965 E. Jefferson, Detroit, Mich. 48207.

Short selling eyed

Funds move slowly

By Trudy Ring

Pension funds are taking a longer look at short selling of stocks, although their participation in this area is still minuscule.

- The Frank Russell Trust Co., a subsidiary of The Frank Russell Co., Tacoma, Wash., has attracted $42 million from 15 to 20 pension investors since the fall for its commingled fund that incorporates short-selling strategies.

Russell plans to start a similar fund for foundations, endowments and taxable investors, according to Donald J. Hardy, senior vice president.

- Feshbach Brothers, Palo Alto, Calif., a firm that is solely a short seller and manages about 20% of the Frank Russell commingled fund, has about "two or three" additional pension clients, said Joseph Feshbach, general partner of the firm.

Mr. Feshbach said only about 10% of the firm's $300 million under management, including assets run for Frank Russell, is from pension funds.

- Evaluation Associates Inc., Norwalk, Conn., has a few managers doing shorting in a pooled small equity manager fund it offers to pension sponsors. Between 10% and 20% of the $800 million-plus fund is involved with strategies that incorporate short selling, said Bill Crerend, chairman.
- At least three large corporate pension sponsors — Allied-Signal Inc., Morristown, N.J.; Chrysler Corp., Highland Park, Mich.; and Owens-Illinois Inc., Toledo, Ohio — are taking very preliminary looks at various short-selling strategies.

The $4.4 billion pension fund of Chrysler Corp.,

Continued on page 39

Robert Gordon of Twenty-First Securities says more pension fund officials are taking a serious look at shorting strategies.

Flat yield curve puts new wood under ARPS fire

By Fred Williams

The flattening of the yield curve could breathe new life into a short-term investment considered dead for the past two years — adjustable rate preferred stock.

Adjustable-rate preferreds, once a hot item in some short-term portfolios, fell out of favor both as a financing mechanism and as an investment in recent years.

Now, they could benefit if the yield curve remains flat, or returns to a more normal upward curve, as many economists are predicting for later this year.

"Investors will participate fully (with ARPS) if the curve remains flat; there is no yield curve risk right now because rates are already flat," said Craig Hobbs, president and chief investment officer of Composite Research & Management Co., Seattle.

"Conversely, if rates return to a normal upward sloping curve (short-term rates significantly lower than long-term rates), by buying ARPS today at very depressed prices (they have) significant potential for price appreciation.

ARPS — developed in response to the volatile interest rate environment of the late 1970s and early '80s — are similar to regular perpetual preferred stock, but the dividend rate is reset, usually quarterly, at a fixed spread to the highest point on the Treasury yield curve. The reference point is the higher of the three-month Treasury bill discount rate or the 10- or 20-year constant maturity rates.

During an eight-day period in 1983, approximately $1.7 billion in new-issue ARPS came to market; the market peaked at $10 billion; then the security faded. ARPS were panned because of concerns about credit quality of issuers, overly aggressive pricing by investment bankers, 1984 tax law changes that reduced the corporate dividend exclusion deduction to 70% from 85%, and rising interest rates that eliminated many of the perceived benefits.

In the ensuing years, ARPS got battered by the flattening of the yield curve, where short-term rates have risen to nearly the same levels as long-term rates, causing the security to lose significant principal value.

Now, however, ARPS might offer aggressive investors the potential for dramatic principal gains and yields competitive with other short-term vehicles. The key: the direction of interest rates.

"If you believe the yield curve will return to a normal position, the price of ARPS will appreciate substantially just as they have depreciated over the last 12 to 18 months," said Mr. Hobbs.

Outstanding issues of ARPS are priced off the short end of the yield curve, with Treasury bills yielding approximately 8.75%. If short rates decline and long-term rates remain at or above 9%, the reset mechanism would switch the yield to the long-term rate and make ARPS more attractive than other short-term vehicles yielding a market rate.

The "kicker," said Mr. Hobbs, is that should short-term rates once again be lower than long rates, ARPS would regain much of their lost principal value.

Among issuers, First Union Corp., Charlotte, N.C., has announced it will issue approximately $375 million in adjustable rate preferred to help finance its $749 million acquisition of Florida National Banks.

ARPS originally were pur-

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Dresdner pulls out of ABDI

By Margaret Price

NEW YORK — Dresdner Bank reportedly will close the New York operations of ABD International Management Corp., and will invest in Oechsle International Advisors L.P., Boston.

Dresdner, of Frankfurt, West Germany, owns a 75% stake in ABDI.

Although negotiations between Dresdner and Oechsle are continuing, sources say Dresdner Bank plans to invest, and become a limited partner, in Oechsle through Dresdner Asset Management U.S.A. Corp., a newly created investment holding company.

Dresdner will purchase the interest from limited partners headed by San Francisco investment bankers Hellman & Friedman.

The deal would give Dresdner slightly less than a 50% stake in Oechsle and a link to a large and prominent U.S. international money manager. Dresdner is believed to be planning to acquire at least one other U.S. money management firm.

The Dresdner deal presents Oechsle with an opportunity to work with a bank that has worldwide connections and extensive research facilities.

At the same time, Oechsle's general partners would retain control of the management and investment policies of the firm,

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TRADING

The battle over trading commission dollars — pitting the demands of institutional investors for lower rates against the desire of brokerage firms to maintain profits — might result in a negotiated truce that could radically transform all aspects of the U.S. equity business. Yet, as this struggle nears resolution, institutional investors still face a number of other trading issues, ranging from the growth of fourth-market trading systems to the use of computers by international stock exchanges. *Pensions & Investment Age* examines these and other recent developments in institutional trading practices here and in a special section beginning on Page 11.

Institutions, brokers slowly pull together

By Marcia Parker

Intense and still-building pressures on the financial services industry and its institutional clients are accelerating a tide of change that clearly can't be held back: an overhaul of the U.S. equity business, from product creation to the pricing structure and distribution system on which stock trading is based.

The pressure cooker is prompting the brokerage industry and institutional investors to put an end to their polarization and to work together to find ways to rationalize the business.

Pension fund and brokerage firm executives say there's a long way to go, and they don't agree on all issues, but they are starting to hammer out the issues behind the scenes, trying to fashion a new order to replace a system they agree is outdated for today's global markets.

"There may be a renegotiation of the business, and that is likely to be done with institutional clients, not to them," said Jay Bennett, a consultant at Greenwich Associates, Greenwich, Conn.

All the players agree 1988 was a very bad year for the institutional equity business. Profitability essentially was wiped out. Trading volume, commission revenue and liquidity plummeted. Intraday volatility soared, along with the use of index trading, making already wary investors even more reluctant to return to a market that never really recovered from the shock of Black Monday. For institutional investors, lackluster returns spurred widespread efforts to hold down costs.

In 1989, the strain will continue to be keen, nudging along the gradual transformation of the equity business.

No one is certain just what the industry will become in the future or how long the transformation will take. But they all agree a new era is coming.

Achieving the restructuring won't be painless. Institutional investors and brokerage firm executives say they are wrestling with ways to understand, measure and trim execution costs, devise a way to unbundle pricing for all products and services, and build a consensus on sensitive issues such as whether commissions are too high or too low and what to do about soft dollar trading.

Both groups are assessing the right mix of services. Brokerage firms are questioning whether they should continue to produce certain kinds of research, and institutional clients are studying exactly what research they want, use and are willing to purchase. They also are analyzing the implications of the dealerization of the market, or the increasing role of investment banks as principals rather than agents, and responses to that trend.

"We are going through a very long process of change that began with negotiated rates," said Louis Margolis, managing director, Salomon Inc. "The whole commission structure, the traditional distribution system and the infrastructure of secondary trading will undergo change. The market is (creating) and will continue to create new systems and instruments to augment the structure."

Among the likely changes predicted by more than a dozen leading brokerage firm executives and institutional investors interviewed by *Pensions & Investment Age*:

- A new strategic plan for the equity business will be created, one that reflects less of the brokerage industry's reliance on the investment banking business for high profits — though maintaining the supply of investment product — and more of the need for the equity operation to stand alone and prosper without subsidies.
- Products and services will be unbundled, and a new pricing system will replace the existing bundled system.

"'The only real reform will come with unbundling," said Greta Marshall, who heads The Marshall Plan, a money management firm in San Francisco. Ms. Marshall is a former executive of the $40 billion California Public Employees' Retirement System, Sacramento.

- The focus of the debate will shift to the true costs of trading —

Continued on page 38

Who controls commission dollars?

	Total institutions		Those generating more than $5 million	
	1987	1988	1987	1988
Portfolio managers	43%	47%	28%	32%
Security analysts	11	11	10	11
Traders	31	34	45	47
Customers	8	9	8	8

Source: Greenwich Associates, Greenwich, Conn.

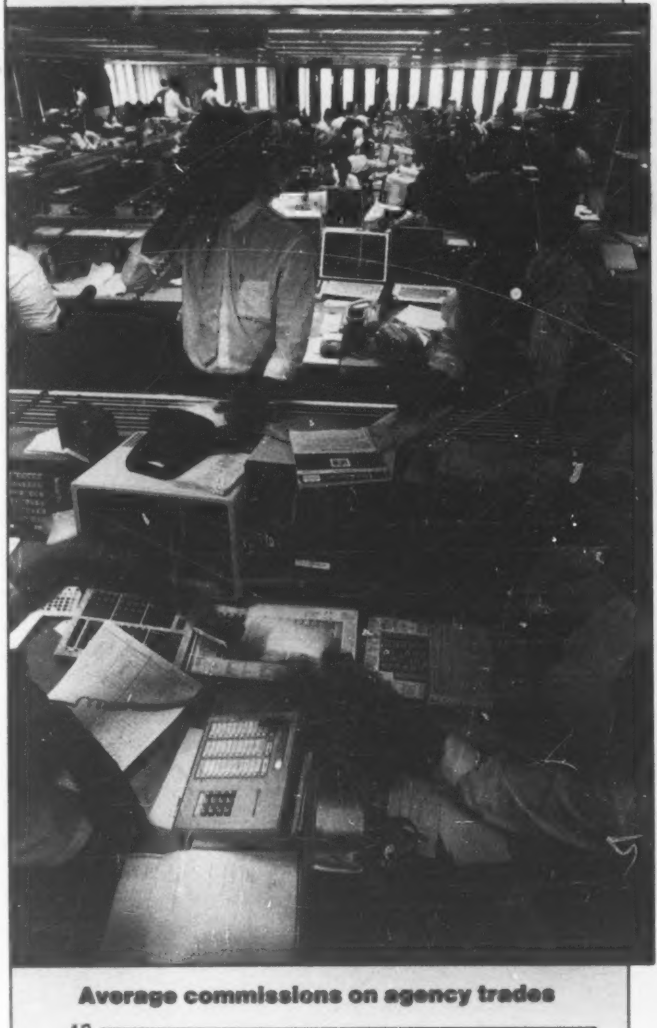
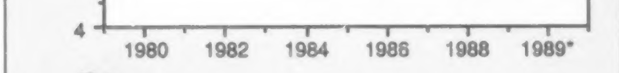


Photo by Geoffrey Biddle

Average commissions on agency trades



*Estimate

Source: Greenwich Associates, Greenwich, Conn.

Grip is getting tighter

Commissions fall, but the war continues

By Joel Chernoff

Brokerage commissions are facing continued pressure, but some institutional investors are starting to think the squeeze is turning into a bear hug.

Commissions paid on agency trades dropped to 9.1 cents per share in 1988 from 13.8 cents in 1980, according to a forthcoming study by Greenwich Associates, Greenwich, Conn. Greenwich projects average commissions will fall to 8.8 cents this year. Some institutions, however, report paying as low as 3 cents a share.

Instead of being Wall Street's favorite customers, large institutional investors are becoming the scourge of the Street and vice versa.

Investors, however, say the trend must be reversed for the benefit of both themselves and Wall Street.

"I'm not sure I could do business at the net rates we are paying," said Cliff Hinkle, executive director of the $14.4 billion Florida State Board of Administration. "I think commissions are at the low end of the scale."

The stock market is undergoing a major structural change, said Laszlo Birinyi Jr., president of Birinyi Associates Inc., New York. "You can't reduce commissions by 50% and expect that there is no reaction," he said.

But all investors do not agree. "We are not trying to take the profit out of this business, just the costs for services and products we don't want," John L. Dorian, corporate director-equity investments for General Dynamics Corp., St. Louis, told a recent conference sponsored by the Institute for International Research.

Pressure on transaction costs has resulted in a steady decline in commissions since May 1, 1975, when fixed commission rates were deregulated. Institutional commissions dropped by more than 50% by the end of 1977, falling to an average 12.2 cents per share from 26 cents per share.

While the stock market was booming, the pressure on commissions didn't hurt so much. But since Oct. 19, 1987, commission revenue has fallen drastically. Equity commissions generated by large institutions fell 26% during 1988, reflecting reduced trading volumes, lower stock prices and continued declines in commission rates, according to Greenwich Associates. While volume has stayed relatively high, at an average of 160 million shares transacted per day from 189 million in 1987, much of it has come from dividend rollover plays or other transactions that do not generate nearly as much profit for Wall Street.

Wall Street firms have been turning to proprietary trading, merchant banking and merger and acquisition activity to make up for lost commission revenue. Commission revenue now accounts for less than 20% of brokerage firm total revenue, down from 49% 15 years ago, according to Securities Industry Association figures.

Meanwhile, pension funds still are squeezing commissions and directing their business elsewhere, further shrinking Wall Street's revenue.

Pension executives see commissions as one of their few controllable costs. In addition, a spotlight brought to bear five years ago on "soft-dollar" payments caused many pension executives to seek a piece of the soft-dollar pie for themselves.

Meanwhile, the sheer growth of pension funds — to $2 trillion at the end of 1987 from $891 billion in 1981 — has increased their clout in the capital markets. Institutional assets as a whole more than doubled to $4.6 trillion in 1987 from $2.1 trillion in 1981, according to a study by the Columbia University Center for Law and Economic Studies' Institutional Investor Project.

What's more, investors are paying more attention to execution costs — the price they pay for market impact — although investors believe the technology does not yet exist for precise measurement of these costs.

The variety of methods institutional investors have adopted include:

- Institutional investors consistently have increased their use of soft-dollar payments, despite proddings by both the Department of Labor and the Securities and Exchange Commission to unbundle their transaction costs and give up the rebates altogether.

Experts said 25% to 50% of commission dollars are funneled to pay for soft-dollar payments.

For example, CIBA-GEIGY Corp.'s $947 million pension fund targets 25% of its trades through Rochdale Securities Corp., New York, but does not force its money managers to go through the broker, said William J. McHugh Jr., director of trust funds at the

Continued on page 38

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New data base aims for clients

By Andrew Reinbach

Institutional Investor magazine is offering a new data base designed to help investment management firms target prospective pension fund clients.

The Investment Management Network is being sold as information that will tell marketers what pension executives are — and aren't — looking for in investment managers.

Forty money managers have purchased the data base; 75 pension executives have completed 32-page questionnaires since the network was formed in January, said Deborah Barron, vice president of market research at Institutional Investor.

Thirty managers bought the $9[illegible] full-service product, which includes at least 250 sponsor profiles, aggregate quantitative analysis, quarterly updates and computer software. Managers purchasing the $3,750 limited product get 50 sponsor profiles and no software.

The product's main competition appears to be Zzyzx Information Network, Apple Valley, Calif., a 3-year-old computerized data base of plan sponsor information sold to investment managers as a marketing and sales tool. Tom Mollenkamp, president, said Zzyzx contains information from more than 450 public and private funds.

Such services appeal to marketers hoping to gain an advantage over their competitors.

Said Mike Fisher, senior vice president of Banker's Trust Co. — Investment Management Group, New York: "Any service that can increase productivity is a good thing." Banker's Trust, which bought IMN's full-service product, manages $57.8 billion in tax-exempt assets.

Joe Haley, director of marketing and sales for New York's Chancellor Capital Management Inc., which manages $17 billion in tax-exempt assets, has looked at IMN, but hasn't bought it yet.

He questioned the value of such data bases. "Buying it in and of itself to create a new marketing approach won't get the job done," he said. "You need a face-to-face meeting to see what (the pension sponsor's) needs are."

Pension executives report no change in the number or kinds of cold calls they're getting from marketers.

"Marketing guys all have their different pitches, and aren't going to change them just because of this information," said Tom Harrison, manager-debts and investment at the $600 million Memphis City Retirement System. ■

CORRECTIONS & CLARIFICATIONS

- In the Feb. 20 profile of **Westinghouse Credit Corp.**'s role in the Finlay Fine Jewelry buy-out, it was incorrectly stated that Prudential Insurance Co. supplied financing. Westinghouse Credit Corp. advised the company and supplied all the capital.
- The quarter, one-, three-, five- and 10-year returns for the **Russell 2000 Small Stock Index** published in the March 6 issue were for periods ended Jan. 31. For periods ended Dec. 31, the index returned −0.64% for the quarter, 24.96% for the year, 6.11% for the three years, 7.74% for the five years and 16.83% for the 10 years.
- A March 6 story on **Southmark Corp.** contained several errors.

The $1.7 billion given as the value of Southmark's real estate excludes hotel and property management companies. The amount of Southmark's 1988 investment in Pratt Hotel Corp. was $6.8 million. Southmark owns 37% of Pratt, which owns 100% of the Sands Hotel and Casino in Atlantic City, N.J. Under generally accepted accounting principles, a loan from one subsidiary to another does not result in two assets. Also, the number of senior executives at Southmark was, and still is, six.

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For more information, call James F. Webb at (919) 770-4878 or William C. Christie at (919) 770-5906.

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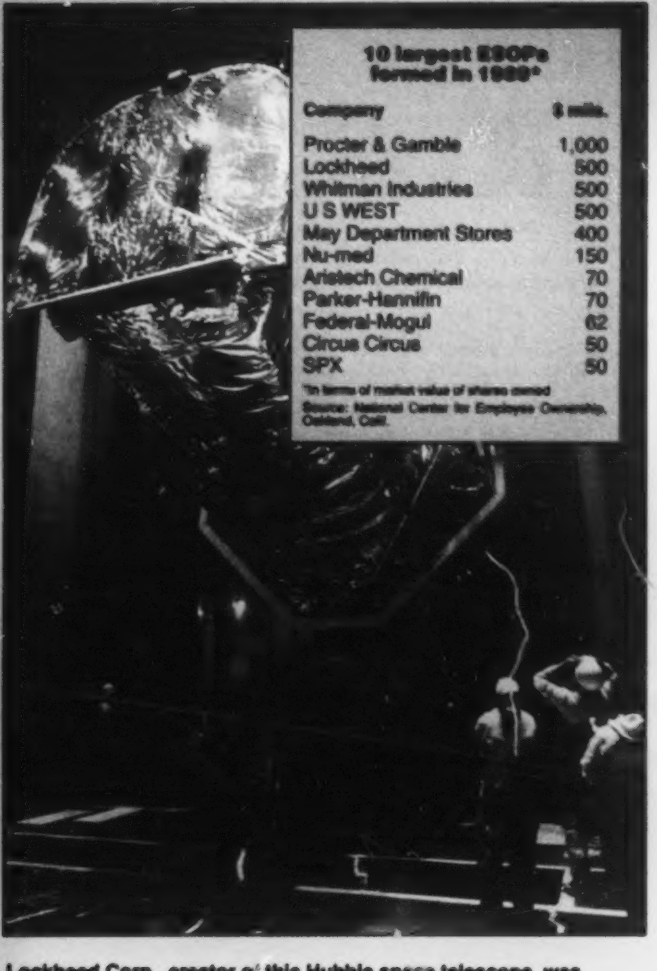
PENSIONS &

Investment Age



10 largest ESOPs formed in 1989*

Company	$ mils.
Procter & Gamble	1,000
Lockheed	500
Whitman Industries	500
U S WEST	500
May Department Stores	400
Nu-med	150
Aristech Chemical	70
Parker-Hannifin	70
Federal-Mogul	62
Circus Circus	50
SPX	50

*In terms of market value of shares owned

Source: National Center for Employee Ownership, Oakland, Calif.

Lockheed Corp., creator of this Hubble space telescope, was among those to start or expand an ESOP amid takeover pressures.

Reversions hit

Bill locks up surplus assets

By Joel Chernoff

WASHINGTON — Employers would be virtually barred from recapturing surplus pension assets under a bill proposed by Sen. Howard Metzenbaum, employee benefits experts fear.

Critics also contend the Ohio Democrat's latest effort to restrict employers' ability to recoup excess assets from terminated pension plans would lead to weaker funding practices, and would provide a way to require cost-of-living increases for retirees.

But supporters of the "Employee Pension Protection Act of 1989" say the measure is long overdue, and they dismiss the criticisms.

"The bill allows employers access to true plan surplus, but not to other plan assets," said Karen Ferguson, director of the Pension Rights Center, Washington.

The bill, S. 685, would set up a three-tiered system for determining how much an employer could take out of a terminated plan:

- The employer could take out the most if it provides a "complete replacement plan" identical to the terminated plan.

Basically, an employer would leave in a cushion of 125% of projected benefit liabilities in the new plan to protect plan benefits — a sharp departure from a 1987 bill that would have based the cushion on current liabilities.

Photo by Tom Reed

Sen. Howard Metzenbaum's bill creates a three-tiered proposal for plan terminations.

Then, a one-time cost-of-living adjustment would be provided to make up any loss from inflation for current retirees and vested former employees. The employer could recapture whatever assets remained.

- Employers creating a less generous defined benefit or any defined contribution plan would have to provide a cushion of 135%, plus the one-time inflation adjustment for retirees and vested former employees.
- Employers failing to provide any successor plan or creating a "sham" plan — a plan that fails to provide certain minimum benefits specified in the bill — would get no reversion. The 135% cushion would be allocated to active workers; retirees would get the inflation adjustment; and active workers would, on a pro rata basis, get any money remaining.

The bill also would impose sweeping fiduciary liability on plan sponsors or fiduciaries for five years after the distribution of plan assets following a termination — even if those fiduciaries no longer are in place when the violation occurs.

The bill would affect all distributions of assets occurring on or after April 4, 1989, apparently catching some 600 plan terminations being held up by a moratorium on termination approvals by the Internal Revenue Service. The moratorium expires May 1.

Meanwhile, reversions still would be subject to corporate

Continued on page 46

ESOPs boom as a defense

By Barry B. Burr

Twenty companies have placed more than $3.581 billion of company stock into new or expanded leveraged employee stock ownership plans since the beginning of 1989.

Indeed, ESOPs are becoming a popular tool to thwart takeovers, restructure the form of retirement benefits and to realize new tax advantages reducing the cost of such benefits.

Most recently, Tribune Co. greatly enlarged its ESOP and Lockheed Corp. set one up, both amid takeover speculation. NWA Inc., faced with two unsolicited takeover proposals, is considering an ESOP with union employees.

They join Polaroid Corp. Procter & Gamble Co. and some 24 other companies that have used ESOPs in the past year to place a large amount of stock with employees who supposedly would support existing management against a hostile takeover.

"No doubt the Polaroid decision has spurred more companies to take a look at this," said Corey Rosen, executive director of the National Center of Employee Ownership,

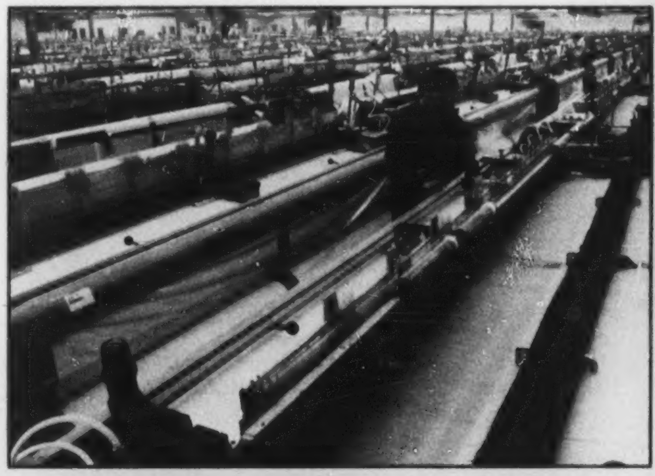
Continued on page 42

Bond muscle flexed

By Marlene Givant Star

CHICAGO — Noteholders of Farley Inc. — including Kemper Financial Services Inc., The Putnam Cos. and Rosecliff Inc. — won substantial cash compensation, an equity stake and stiffened covenants in exchange for consenting to Farley's acquisition of West Point-Pepperell Inc.

—Continued on page 43



Farley's noteholders won a major victory in bond negotiations over the acquisition of textiles manufacturer West Point-Pepperell.

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LATE NEWS

Retiree-health bills hit Congress

WASHINGTON — House Ways and Means Committee Chairman Dan Rostenkowski, D-Ill., last week was expected to propose sweeping relief for employers from controversial non-discrimination rules covering health plans.

The bill would replace complex and costly testing procedures under Section 89 of the tax code with a single simplified test based solely on how an employer's health program is designed.

In addition, the test would cover health plans only, dropping life insurance plans. Employees who work less than 25 hours per week would not have to be considered in the tests, up from 17.5 hours per week in the current law. Hearings on the bill are expected to be held in early May.

In other major health-related legislation unveiled last week:

- Sen. Edward Kennedy, D-Mass., introduced a revised version of legislation mandating employer-provided health insurance.

Despite concessions made to small business, groups representing both major and small employers still oppose the measure, which would require employers to offer minimum levels of health coverage to employees working at least 17.5 hours per week and their dependents.

- Legislation permitting employers to set up tax-favored trusts to fund retiree-health insurance was introduced by Reps. Rod Chandler, R-Wash., Ronnie Flippo, D-Ala., and Sen. David Pryor, D-Ark. The legislation also would allow employers to use surplus pension assets to pay for retiree-health or long-term care coverage.

Lockheed links benefits, service

CALABASAS, Calif. — To curtail its skyrocketing medical-care costs, Lockheed Corp. will link payment of health-care benefits for early retirees to the number of years of employment with the company, effective 1990. The change won't affect employees who retire at or after age 65.

"The objective of the new plan is to provide company-paid medical coverage in proportion to actual years of services," said Dan Tellep, chairman and chief executive officer, in a letter to employees.

The company currently pays nearly all the cost of retiree medical coverage, requiring only a $10 monthly premium from employees.

Morgan Stanley nets realty deal

NEW YORK — Morgan Stanley Realty Inc. won the assignment to sell the Pan American Properties and Buckingham Holdings property package, valued at up to $1 billion.

The property package, representing the two real estate investment trusts of the British Coal Corp. pension funds, mainly consists of Southern California office buildings and shopping centers, with some industrial and hotel properties.

Paul McAuliffe, a vice president at Morgan Stanley Realty, said the offering book on the properties will not be ready until mid-May and will include building information but no financials; those will follow the signing of a confidentiality agreement.

Equifax alters overseas portfolio

ATLANTA — Equifax Inc. has hired Hill Samuel/Investment Advisers Ltd., Minneapolis, and Mellon-Pictet International Ltd., London, as it changes to separate accounts from mutual funds for the international segment of its $225 million pension fund.

Equifax, Atlanta, had about $18 million split evenly among an FT-Actuaries Europe and Pacific Basin Index account run by Travelers Investment Management Co., Hartford, Conn., and three mutual funds, according to Roger Dailey, vice president of corporate insurance and benefits. He declined to name the mutual fund managers.

Hill Samuel will run a balanced international fund that favors equities, Mr. Dailey said, while the Mellon-Pictet portfolio will be all equities. The firms will probably split the $13.5 million that had been in the mutual funds, Mr. Dailey said, although final amounts are yet to be determined. He said the switch to separate accounts was made to increase flexibility.

Debatin Associates Inc., Atlanta, assisted in the search.

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Vol. 17, No. 8 — Pensions & Investment Age (ISSN 0273-5466) is published biweekly with a special edition in May, at 740 Rush St., Chicago, Ill. 60611. Second class postage paid at Chicago, Ill. and at additional mailing offices. Postmaster: Send address changes to Pensions & Investment Age, Circulation Dept. 965 E. Jefferson, Detroit, Mich. 48207.

International questionnaires out

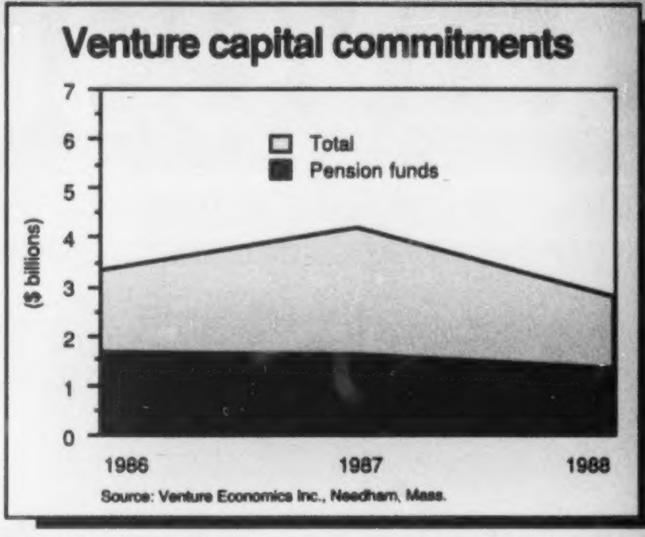
Questionnaires for *Pensions & Investment Age*'s annual profiles of the 50 largest international and global money managers of U.S. institutional tax-exempt assets are in the mail.

If you qualify for the listing and have not received your questionnaire by April 21, please contact Christine Philip, directory

Venture spirit flags

Asset flow drops 33%

By Trudy Ring



Source: Venture Economics Inc., Needham, Mass.

Commitments to venture capital funds fell by one-third in 1988, reflecting a difficult fund-raising environment and fewer huge funds seeking capital.

Some institutional investors have reached their venture capital asset allocation limits, while a few are pulling back until the flow of dollars there lessens.

According to the consulting firm Venture Economics Inc., Needham, Mass., commitments to independent, private venture capital firms totaled $2.8 billion in 1988, down from $4.2 billion the previous year.

Pension fund commitments to venture capital also decreased, to $1.3 billion from $1.6 billion, but pension funds' share of the total increased, to 47% from 39%. Commitments by endowments and foundations fell to $313 million from $418 million; their share of the total rose slightly, to 11% from 10%.

Commitments by foreign investors fell to $364 million from $543 million; by corporations, to $323 million from $460 million; by insurance companies, to $253 million from $627 million; and by individuals and families, to $236 million from $501 million.

The repercussions of the October 1987 stock market crash delayed fund raising early in 1988, although a record number of venture groups were seeking commitments by the third quarter, according to Venture Economics. Many of those groups, however, did not close their funds by year end.

Also, 13 "megafunds" — raising more than $100 million each — contributed to 1987's exceptional total, according to Venture Economics. Nine megafunds were included in the 1988 figure.

Highly experienced venture capital groups had the most success raising money in 1988; those with 10 or more years in the industry raised 49% of the dollars and accounted for 32% of the number of funds. Those with five to nine years of experience accounted for 38% of the dollars and 39% of the number of funds.

The 1988 total commitments figure is close to 1986's $3.3

Continued on page 46

Criterion finds buyer

By Fred Williams

HOUSTON — The Criterion Group will become a direct subsidiary of Transamerica Corp., the San Francisco insurance and financial services company, under Transamerica's plan to acquire Criterion in a $94.3 million cash offer.

Transamerica has agreed to pay $13 for each share of Criterion common stock in a deal that is expected to be completed by the end of the third quarter, subject to the approval of Criterion's shareholders.

Criterion Group is a holding company for Criterion Investment Management Co., a group of mutual funds and venture capital partnerships.

The announcement capped several months of speculation that Criterion was going to be sold (*Pensions & Investment Age*, April 3).

Criterion has approximately $10.1 billion in assets under management — about $2.2 billion in 24 mutual funds and $7.9 billion in separate accounts.

Charles Miller, Criterion's chairman, president and chief executive officer, said neither the investment style nor personnel will change as a result of the sale.

For Criterion, "the right partner showed up at the right time. They can add to our ability to grow the business and allow us to attract and compensate people well," Mr. Miller said.

Criterion will function as a wholly owned subsidiary, he said, and Transamerica "lets its subsidiaries operate independently."

"The name (Transamerica) is good for marketing our mutual funds, that's one of the strategic reasons for doing it," Mr. Miller said. According to a statement issued last week, the mutual fund operations will adopt the Transamerica name, but Criterion Investment Management Co. will not. No name has been decided upon for the venture capital operation.

Criterion has approximately 6.3 million shares of common stock outstanding. Following the announcement the company was seeking a buyer, the stock closed at a 52-week high of $14 March 29. Criterion stock closed at $12 on April 12, the day the sale was announced, compared with $12.25 April 11.

According to financial disclosure documents, Mr. Miller owns 1.7 million shares of Criterion stock, which would amount to $22.1 million if the sale is completed at $13 per share. ■

Alternative route taken

By Trudy Ring

Alternative investments were big draws in the first quarter, with large chunks of assets going to distressed real estate and indexed international bonds.

Among moves of money reported in *Pensions & Investment Age* during the quarter, $383 million went to real estate funds, with $325 million of that going to Trammell Crow Ventures Management Co., Dallas, for its Trammell Crow Equity Partners II, a closed-end fund buying from distressed sellers.

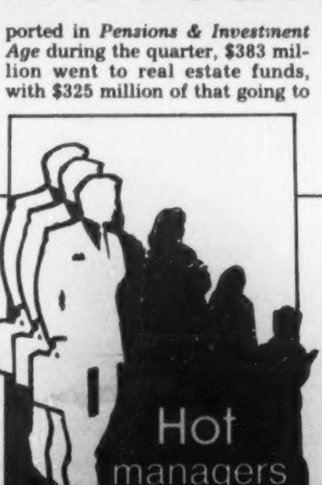
Indexed international bonds got a boost from the $8.3 billion New

Continued on page 46

Most new accounts*
1st quarter 1989

Firm	New accounts
Lowe, Brockenbrough	4
Morgan Stanley Asset	4
Northern Trust	4
Fisher Investments	3
Trammell Crow	3
Wells Fargo	3

* As reported in *Pensions & Investment Age*



Most new assets*
1st quarter 1989

Firm	$ millions
Trammell Crow	325
Rowe-Price Fleming	250
Bank One Indianapolis	85
Merus Capital	78
Wells Fargo	55
Acadian Asset	52

* As reported in *Pensions & Investment Age*

1989 PROXY SEASON

Behind-the-scenes action

Talks yield results before vote

By Marcia Parker

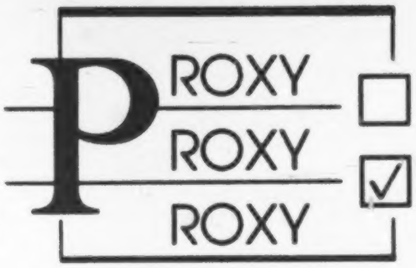
The 1989 proxy season, which opens officially with the springtime rite known as the annual meeting circuit, promises to be remarkable for what isn't on the ballot as well as for what is.

Pre-season negotiations between institutional investors and corporate managements on a host of corporate governance issues are at an all-time high, and have led to a number of agreements whereby institutional sponsors withdrew proxy resolutions in exchange for some action.

The Teachers Insurance and Annuity Association — College Retirement Equities Fund and Dayton Hudson Corp. announced in early April an agreement under which the pension system withdrew the resolution it had filed on Dayton Hudson's shareholder rights plan. Under the pact, Dayton Hudson agreed to submit its share rights plan, a so-called poison pill making the company unattractive to a corporate raider, to a vote of its shareholders within three years or redeem the plan prior to the company's 1992 annual shareholders meeting.

Several other institutional investors that are sponsoring various proxy resolutions — especially those calling for confidential voting — are meeting with companies behind the scenes to try to fashion compromises before the annual meetings.

Earlier this year, the California Public Employees' Retirement System dropped a proposal for a bylaw change creating a permanent shareholders advisory committee after Texaco Inc. agreed to select a pro-shareholder director, New York University President John Brademas (*Pensions & Investment Age*, Feb. 6). Texaco also has agreed to put its shareholder rights plan to a shareholder vote at its annual meeting.



Several companies, including Unocal Corp. and American Home Products Corp., agreed to adopt voluntary confidential voting, negating the need for shareholder activists to ask the companies to put voting resolutions on the 1989 or 1990 proxies (*P&I Age*, Jan. 23).

In the meantime, institutional shareholders and corporations and their advisers are gearing up for the campaign to win stockholder support for proxy resolutions on hundreds of corporate governance and social issues.

Besides dozens of poison pill resolutions, the 1989 proxy ballots of America's leading corporations will sport a host of other corporate governance-related issues such as confidential voting, equal access to the proxy, repeal of anti-takeover provisions and ending greenmail.

Observers are keenly interested in resolutions that ask Boeing Co., Ford Motor Co., Kimberly-Clark Corp. and Lockheed Corp. to opt out of Delaware's anti-takeover law. These are first-time proposals this year and are co-sponsored by the New York City Retirement System, the California employees' system and the California State Teachers' Retirement System. The pension funds, which hold small stakes in the companies, take issue with the Delaware law that gives the board of directors — instead of shareholders — the power to decide the future of the company in a hostile takeover situation. Only Lockheed has yet to recommend how shareholders should vote; the other companies have suggested that shareholders oppose the resolutions.

Other first-time resolutions that will be watched are at Dow Chemical Corp., which is being asked to put any "golden parachutes" to a shareholder vote, and 10 companies being called on by Common Cause to report on how much their political action committees give to congressional candidates. The Washington lobbying group is seeking to get these companies, which include Citicorp, General Electric Co. and Mobil Corp., to release information to interested shareholders in what long has been a somewhat secretive practice. ■

Major 1989 corporate governance shareholder proposals

Poison pills (20)

Avon Products
Halliburton
Squibb

Confidential voting (40)

Coca-Cola
NCR
Wal-Mart Stores

Anti-greenmail (3)

Ameritrust
J.C. Penney

Opt out of Delaware takeover law (4)

Boeing
Lockheed

Golden parachutes (1)

Dow Chemical

Equal access to the proxy (3)

Amoco
Bank of New England

Lower supermajority voting requirements (3)

Outboard Marine
United Technologies

Repeal classified board (31)

Ameritech
McDermott Int'l
Sears, Roebuck

Provide for cumulative voting (34)

AMR
E.I. du Pont de Nemours
F.W. Woolworth

Restore limited pre-emptive rights (10)

Bethlehem Steel
Hercules
Warner-Lambert

Parentheses indicate total number of companies facing each proposal

Source: Investor Responsibility Research Center Inc., Washington

SEC stirs industry

Managers fear imposed proxy policy

By Joel Chernoff

WASHINGTON — Signs that the Securities and Exchange Commission might adopt a uniform proxy voting rule may spur the mutual fund and managed fund industries to adopt their own policies.

Voting practices by mutual funds now are "all over the lot," said one money manager, although the industry is giving the issue increasing attention.

"The industry is moving toward (adopting) explicit authority over who votes the actual shares," said Charles Finlayson, general counsel of Loomis, Sayles & Co. Inc., Boston.

But if the SEC takes up the issue, as investment management division chief Kathryn McGrath warned last month, managers might move more swiftly toward a coherent policy.

Ms. McGrath said the SEC is leaning toward the Department of Labor's views on proxy voting, and might develop a system by which the industry can make its views known (*Pensions & Investment Age*, April 3).

But Ms. McGrath also said any rule-making process will have "the implication of retroactive effect," which could send chills down the spines of money managers who may be ignoring their proxy voting duties.

For more than a year, the Labor Department has told managers of private pension assets that they must consider their proxy voting responsibilities carefully, and not vote blindly with management, sidestep controversial issues or allow plan sponsors to direct the vote on only select issues.

But the Labor Department has jurisdiction only over a piece of the institutional investor universe. At the end of 1987, private pension funds, which are regulated by the Employee Retirement Income Security Act of 1974, had $1.444 trillion in assets.

Meanwhile, public pension funds had $521 billion, mutual funds had $790 billion, insurance companies had $1.011 trillion, non-pension bank trust departments held $693 billion and foundations and endowments had $131 billion, according to a study by the Columbia University School of Law's Center for Law and Economics Studies' Institutional Investor Project.

Another $500 billion billion rests in the accounts of wealthy individuals.

The SEC regulates registered investment advisers under the 1940 Investment Advisers Act and mutual funds under the 1940 Investment Company Act, but does not oversee assets held in bank trust departments or those in insurance company general accounts.

While the SEC is not expected to take up the issue in the near future, the agency's interest clearly has grabbed the attention of the mutual fund industry and those involved in corporate governance issues.

"To have a full-scale discussion here against the Labor Department standard is what we have been waiting for," said Robert A.G. Monks, president of Institutional Shareholder Services Inc., Washington.

ISS, a consulting organization for institutional investors, has been pressing various governmental bodies to spell out the proxy voting duties of businesses under their purview. Earlier, the comptroller of the currency had written ISS that banks must have written policies and maintain records of their votes, affirming the regulator's earlier position.

A Nov. 9 letter sent by an unnamed ISS client to the SEC asked whether the same fiduciary rules applied under the Investment Company Act as under ERISA.

The inquiry also asked whether delegation of voting is permitted, if record-keeping is required on voting practices, whether a fiduciary might have to remove himself from a vote

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FEATURE

Corporations need motherhood lesson

By Sarah Teslik

The experience of the past few years has confirmed what common sense had long suggested: most corporate executives view corporate governance as about as appealing and appropriate as taking your mother along on a date. A good mother, we all know, should care about her children, but be very careful not to meddle.

A good institutional investor, according to corporate America, should behave similarly. Quietly and cheerfully buying and selling apparently is OK, although the etiquette sometimes gets tricky.

- You must not buy and sell too much, or you are a short-term churner who destroys corporations, communities and marriages.
- You must not buy and sell too little.
- You must not invest broadly and passively — the equivalent of indexing whether or not such vehicles are used — because then you are a cruel and heartless beast who does not care about individual companies or the long term.
- You must buy and sell for your beneficiaries, except when a deviation from that purpose is in corporations' interests.

Voting is a gray area: voting for management slates and for management proposals is OK; a rare and passive 'no' vote may be OK at someone else's corporation. Anything else is meddling.

It is widely assumed institutional investors who do "anything else" do so because they want to act like managements. They want to make widgets. If they can't do that, they at least want to second-guess whether the right widgets were made in the right quantity for the right price.

Even those who recognize this is not only untrue but impossible, assume institutional investors want special treatment with regard to the selection of directors: Like "a chicken in every pot," they want "a shareholder on every board."

Fortunately, the sides are not as far apart as they think.

The mother analogy is apt. Even a consummate party-animal mother cannot go on all her children's dates if she has 1,000 children in her portfolio. She can neither manage nor oversee their adult lives, yet she wants them to do well.

The appropriate approach should be as obvious in the corporate governance world as it is in the nursery. Working to get the system right is the best (and probably the only) effective way to maximize the likelihood that each of many children will do well.

In childrearing, of course, this

Continued on page 16

New ESOPs

Continued from page 1

Oakland, Calif.

A Delaware Chancery Court upheld Polaroid's ESOP, even though it was enlarged to 14% of common shares to thwart a takeover by Shamrock Holdings Inc., Burbank, Calif.

The ruling acknowledged the ESOP's anti-takeover effect, but upheld the company's broader motives for the ESOP to improve shareholder value by redesigning the form of employee benefits.

The Tribune's $350 million enlargement of its ESOP will raise its share of voting stock to 10% from 1%, increasing control by managers, directors and employees to close to 40% in all from about 27% of the shares outstanding.

Tribune will use the ESOP to replace the company's profit-sharing plan this year and, in the next decade, might use it to replace part or all of its defined benefit pension plan.

Lockheed's new $500 million ESOP will become the company's biggest shareholder, owning 17% of its common stock. Lockheed will use the ESOP to supplant cash payments as the company's matching contribution to an existing 401(k) savings plan.

NWA executives were unavailable to discuss the ESOP under consideration.

Among the tax advantages, Mr. Rosen noted dividends paid to ESOPs, unlike those paid to other shareholders, are tax deductible to corporations.

Except in a few situations, such as Polaroid or more recently Federal-Mogul Corp., he said it is difficult to single out takeover threats as a prime force moving companies to ESOPs.

The Tribune adopted the enlarged ESOP after a rumor the Robert M. Bass Group of Dallas accumulated 2% to 3% of the shares and might make a bid for the company. Representatives of the Bass Group could not be reached for comment.

Lockheed formed the ESOP as part of a broad restructuring of the company — including a stock repurchase program — after Harold Simmons, a Dallas investor, revealed he owns 5.3% of the company. Subsequently, Mr. Simmons was reported to have said he was considering selling some shares in response to Lockheed's stock repurchase.

NWA rejected a $2.7 billion offer by investor Marvin Davis, though he was reported to have said he will proceed with an acquisition.

Another offer came from a group that was reported to hold a 4.9% stake and include former NWA director Gary Wilson. Its status couldn't be determined.

Tribune sold $350 million of a new series convertible preferred stock to its ESOP as part of a move to bring the plan's ownership of the company to 10% from 1%. The company will use the proceeds to buy back as many as 8 million of its 74.5 million common shares outstanding to avoid dilution to existing shareholders.

The 1.6 million in preferred shares being sold to the ESOP are convertible to about 6.4 million common shares at $55 each. The preferred shares have 4.58 votes each, or roughly an immediate 10% voting control in the company.

LaSalle National Bank, Chicago, the ESOP trustee, will vote unallocated shares held by the plan in the same proportion as allocated shares voted by employees.

Duff & Phelps Inc., Chicago, acted as financial adviser to the trustee; Lazard Freres and Merrill Lynch & Co. were Tribune's investment bankers.

Tribune, which is financing temporarily the ESOP's purchase of the preferred, expects to refinance the loan through a private placement of notes guaranteed by the company.

In addition to using the expanded ESOP to replace the Tribune's existing profit-sharing plan, management has the option by 1998 of using the ESOP to replace or finance part of the company's existing defined benefit pension plan, said Martha O. Lindeman, Tribune manager-communications.

Ned Zachar, Duff & Phelps media analyst who wasn't involved with the advisory work, agrees the ESOP will have little if any dilutive effect for existing shareholders, because it is coupled with the repurchased stock. "It may even be anti-dilutive," he added.

Ms. Lindeman denied the ESOP was expanded to thwart any hostile takeover threat.

"We've been thinking about an ESOP for a while," she said. "We put (a small) one in place last year and began considering expanding it" before recent takeover speculation. She said she knew of no takeover threat, despite the Bass rumor.

Nevertheless, Mr. Zachar said the ESOP will provide an additional anti-takeover device for the company, although he questioned the Tribune's need for it. The 27% of the stock already held by management, directors, employees and the ESOP before its expansion could serve to thwart a hostile bid.

Among other anti-takeover defenses, Mr. Zachar noted, the company requires 80% of shareholders to approve a takeover. Moreover, Delaware, where Tribune is incorporated, requires 85% of shareholders to approve a takeover.

Unlike at Tribune, where essentially all employees participate in the ESOP, Lockheed created its ESOP for salaried employees. The ESOP will acquire about 10.5 million new common shares for $500 million. The company will use the proceeds to buy back the same number of shares in the open market and private transactions. Bankers Trust Co. handled a private placement of notes, guaranteed by Lockheed, to finance the loan to the ESOP.

Lockheed will use the plan to replace cash as its employee-matching payments to an existing 401(k) plan. The company matching will increase to 60% under the ESOP from 50%.

"Basically what it amounts to is that we are pre-funding employee benefit obligations," said Robert Slayman, director-public information. "The ESOP has purchased enough shares to distribute over time."

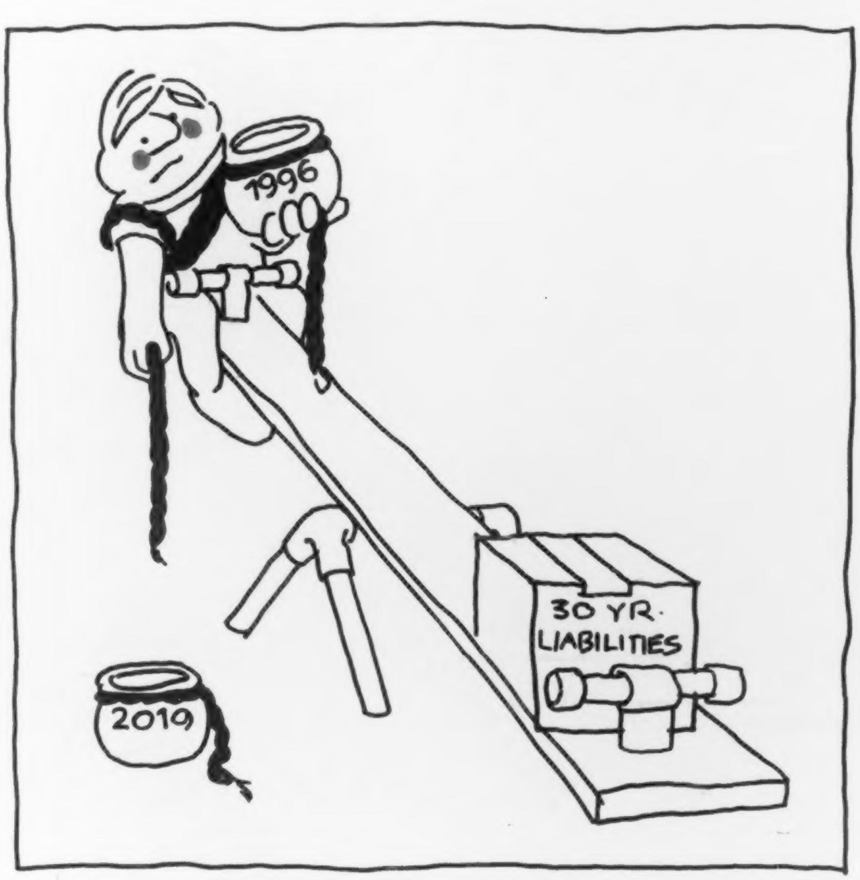
He said the ESOP was established mainly as an incentive to employee performance. "There's no denying it has (an anti-takeover) effect, a deterrent," he added. "But that wasn't the principal motivation" for setting it up.

George Podrasky, Duff & Phelps analyst, said, anti-takeover defense "had to be a strong consideration."

He pointed out that "management doesn't own a significant amount of stock." Officers and directors own 1.7% of common shares in total.

Houlihan Lokey Howard & Zukin Inc., Los Angeles, advised the ESOP's trustee, U.S. Trust Co. of California, New York.

Unallocated shares in the ESOP will be voted in the same proportion as allocated shares are voted



Mismatch?

Independence Investment Associates
One Liberty Square, Boston, Massachusetts 02109
617 292 8700

Bill locks up

Continued from page 1

income tax and a 15% excise tax.

"When you add up all those elements, I think in the vast majority of cases you're not going to have any reversion left over," said Jerry Uslander, a principal with William M. Mercer Meidinger Hansen Inc., Louisville, Ky.

Research during the bill's development showed surpluses don't come from good investment performance, but rather from actuarial funding methods (which require advance funding in the early years of a plan) and selection of interest rate assumptions, bill advocates said.

"Thus, the excess assets are not really the product of any actuarial error, but rather the result of an employer prematurely terminating the plan before the completion of the normal funding cycle," said Rep. William Clay, D-Mo. Mr. Clay, chairman of the House Labor-Management Relations Subcommittee, introduced an identical bill in the House.

Had the bill been law in the past, Mr. Metzenbaum noted, FMC Corp. would have received 24% of a $726 million surplus; Occidental Petroleum Corp., 27% of a $233 million surplus from a Cities Service Co. plan; and Enron Corp., 49% of a $232 million surplus.

Mr. Metzenbaum has placed the bill on a fast track because of the May 1 IRS moratorium deadline.

The bill was introduced April 4, then reviewed in a Senate Labor Subcommittee hearing a week later. A vote by the full Labor Committee tentatively is scheduled for April 19. The House bill, H.R. 1661, will be reviewed and voted on by the House Labor-Management Relations Subcommittee the day before.

With no other bill to attach it to, how Messrs. Metzenbaum and Clay expect to speed the measure through committee remains a mystery. What's more, there's a decent chance the tax-writing committees will attempt to assert jurisdiction on the measures, especially given the heated rivalry between the House Education and Labor Committee and the Ways and Means Committee.

And some legislators might question the need for the bill, given the drop-off in terminations of overfunded plans and previous measures that have imposed a 15% excise tax on reversions.

Some think the bill's leaders will try to take it directly to the floors of the House and Senate. Still, it appears unlikely the Bush administration will embrace it.

In introducing the measure, Mr. Metzenbaum said he was trying to give workers and retirees "a fair share" of pension plans, while encouraging employers that terminate plans to establish defined benefit plans as generous as their old plans and discouraging use of pension plans in mergers and takeovers.

He said almost $20 billion has been taken out of about 2,000 pension plans since 1981, nearly all involving financially healthy companies and many involving some type of merger or takeover.

Meanwhile, fewer companies set up equivalent replacement plans for workers. In 1988, "only 25% of the healthy firms terminating pension plans set up a comparable defined benefit plan," while 40% established a defined contribution plan, he said.

Worse, nearly 35% of the healthy firms did not create any new pension plan, up from 21% two years ago, he said.

Still, business experts say the bill will have a devastating effect on pension plans.

The funding cushion based on future obligations and the COLAs for retirees are the provisions raising the most ire.

Those "are a radical departure from the nature of our voluntary, private pension system and virtually ensure that almost no company will ever retain surplus assets from a terminated plan — even if an identical successor defined benefit plan is established following termination," Howard C. Weizmann, executive director of the Association of Private Pension and Welfare Plans, Washington, wrote in a letter to Mr. Metzenbaum.

Benefits experts argued the bill would cause employers to curtail funding of their plans. "What most employers will do is to defund these plans, and when the assets and liabilities are in sync, they will terminate these plans," said Dick Raskin, consulting actuary with The Wyatt Co., New York.

Speaking on behalf of the ERISA Industry Committee, Chester S. Labedz, compensation and benefits counsel to Textron Inc., told the Senate panel: "The bill also will impose, for the first time, federally mandated benefits upon private-sector employers. In our view, the bill represents a back-door effort to mandate cost-of-living increases for all retirees and beneficiaries."

Business groups argued the bill would provide windfall benefits to employees covered by other pension plans and put government contractors in a bind because the government claims a portion of excess assets. They also said it raises other tax issues.

But organized labor and retiree groups think the legislation would protect plan participants. ■

The *P&I Age* monthly indexes track changes in the Standard & Poor's 500, Frank Russell Co.'s Russell 3000 stock index, the Ryan Index of fixed-income securities, the Shearson Lehman Hutton Government/Corporate bond index and the Salomon Brothers Broad Investment Grade bond index.

P&I Age March Indexes

	Latest mo.	Year to-date	Trailing 12 mos.
S&P 500	2.37	7.08	18.10
Russell 3000	2.28	7.25	17.33
Ryan Index	0.58	0.87	3.54
Shearson Lehman Gov't./Corp.	0.53	1.09	5.00
Salomon BIG	0.43	1.20	5.24

Source: Rogers, Casey & Associates Inc. and Frank Russell Co.

Alternative path

Continued from page 2

York City Teachers' Retirement System, which allocated $250 million to be managed in this strategy by Rowe Price-Fleming International Inc., Baltimore.

International equities attracted $183.5 million to be actively managed and $11.75 million in passive or indexed funds. The largest single international allocation reported was $50 million by the $3.3 billion Utah State Retirement System, Salt Lake City, to Baring International Investment Ltd., London. Actively managed international bonds drew just $10 million.

Commitments reported for other asset classes were $550.5 million for actively managed domestic equities; $201.5 million for active domestic bonds; $99.5 million for indexed domestic stocks; $54.3 million for balanced accounts; $40 million for guaranteed investment contracts; and $17 million for venture capital.

The numbers are based only on moves of money reported in *P&I Age* during the quarter.

Despite the great popularity of indexing, the ratio of active to indexed equities follows generally established patterns — numerous small accounts for active management and fewer, larger accounts for indexing. Also, tax-exempt funds appear to be moving into more specialized areas of indexing, such as the foreign bond index strategy.

"It is interesting to see the trend back toward active management," said Ronald D. Peyton, president of Callan Associates Inc., San Francisco. Pension funds are seeing active managers still can add value, he said.

Rob Gernstetter, senior consultant with Stratford Advisory Group, Chicago, agreed indexing is becoming more specialized, with passive funds targeting certain market segments.

Russ Hill, senior vice president of Stratford, added the bull market of the past few years has favored large-capitalization, fully invested portfolios like Standard & Poor's 500 Stock Index funds.

Mr. Peyton was not surprised by the popularity of real estate and international investing. Investment in distressed properties diversifies a real estate portfolio but also adds risk, so it should be balanced with other types of real estate investments, he said.

Mr. Gernstetter said special situation real estate funds and separate accounts seem to be attracting the most attention.

As for international, Mr. Peyton said, "That will be the growth area of the consulting business and the investment management business."

"From a fixed-income standpoint, global diversification makes a lot of sense," Mr. Hill added. Domestic and foreign bond markets have low correlation, so global diversification is a sort of insurance policy against a decline in one market, he said.

Joining Trammell Crow and Rowe Price-Fleming among the top managers for the quarter in terms of assets gained are one international manager, Acadian Asset Management Inc., Boston; one indexer, Wells Fargo Investment Advisors, San Francisco; and one active equity manager, Merus Capital Management, San Francisco.

Among the top firms in terms of number of accounts, besides Trammell Crow and Wells Fargo, were two managing a variety of asset classes — Lowe, Brockenbrough, Tierney & Tattersall Inc., Richmond, Va., and Morgan Stanley Asset Management, New York. One other, Fisher Investments Inc., Woodside, Calif., is an active equity manager; the remaining one, Northern Trust Co., Chicago, got its new accounts for master trustee or master custodial services. ■

Venturing spirit

Continued from page 2

billion, which included $1 billion raised by a single fund. Also, pension funds' share of the 1988 total was close to their 50% share of the 1986 figure.

Pension funds and other tax-exempt investors that made venture capital commitments last year see it as being more difficult, but still possible, to make high returns in that asset class. The flood of dollars into venture capital has put pressure on returns.

"It's certainly not as attractive as it was five or six years ago, and you have to be selective as to where you put the money, but there are still opportunities," said Stephen L. Albertalli, director of investor relations at Corning Glass Works, Corning, N.Y.

Mr. Albertalli said the $750 million Corning Glass pension

to venture capital in 1988, bringing its total to the allocation limit of about 2.5% of the fund.

The $480 million Seattle City Employees' Retirement System made its first venture capital commitments, $6 million, in 1988. It will put in more if an asset allocation study, now in progress, indicates a need, said Roger Howeiler, executive director.

"We feel there are still opportunities in the venture capital area, even though they're not what they were 10 years ago," he said.

The $11 billion Washington State Investment Board, Olympia, committed $25 million to venture capital in 1988, bringing its total commitments there to about $330 million, said David Weig, executive director.

The board has no plans for ad-

future, Mr. Weig said; officials are waiting to see fewer players and fewer dollars going into the market.

Les Gallaugher, senior investment officer at the University of California — Berkeley, said many institutions may be stepping back because of a concern about too many dollars depressing returns. Also, he said, the stock market has done so well in recent years that perhaps investors didn't see enough added value from venture capital to make investment there worthwhile, and some investors may not have been sufficiently selective about their venture capital investments.

That said, Mr. Gallaugher continues to look for venture capital opportunities. "You have to be able to make a commitment when the opportunity presents itself," he said. The university has about 2% of its $10 billion pension and endowment assets in venture capital, including a substantial

declined to state that figure.

The $2.8 billion Nevada Public Employees' Retirement System, Carson City, committed about $8 million last year, bringing its total commitments to 1% of the fund, said Laura Wallace, investment officer. It is seeking other venture investments, having a goal of 1.6% in this asset class.

"Tightly controlled and in small doses, I think it can add value," Ms. Wallace said.

Venture capitalist Jeffrey Collinson, managing partner of Schroder Ventures, New York, admitted fund raising is difficult. Institutions are looking at the aggregate amount of dollars in venture capital and waiting to see how it works out, he said.

Schroder Ventures, however, has made some inroads; it soon will close a $40 million fund with about one-fourth of the commitments from U.S. tax-exempt institutions. Its previous fund, $37.5 million raised in 1983, was pri-

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Investment Age

The newspaper of corporate and institutional investing

Public debt finances ESOPs

By Barry B. Burr

Brunswick Corp. and Unisys Corp. last month filed with the Securities and Exchange Commission to offer the first publicly registered debt to finance employee stock ownership plans.

The offerings might be the start of a trend toward public financings for ESOPs, giving investment banks a large share of the lending market.

Once it gets SEC clearance, Brunswick's ESOP will sell $100 million in notes — probably 15-year fixed-rate notes — to finance the purchase of 5.1 million shares of the Skokie, Ill., company.

As a result of the move, Brunswick's ESOP will become a leveraged one, and the amount of outstanding shares of Brunswick common stock it holds will increase immediately to 8% from 2%.

With the expanded ESOP and other arrangements, employees and directors now will hold 14% of the stock, bolstering a defense against potential takeovers by placing more shares in presumably friendly hands.

Unisys, which already received SEC clearance, expects to issue over the next four years $250 million in medium-term notes, probably in monthly offerings of $5 million each, to fund the newly created ESOP.

As a result of the offering, the company would contribute about 192,300 shares a month to the ESOP, based on Unisys's recent stock price of 26.

Unisys' ESOP isn't leveraged, despite the financing. The company, rather than the ESOP, is financing the transaction to contribute shares to the plan.

The ESOP won't change the amount of stock already being allocated to employees under existing benefits, according to Leon J. Level, vice president-treasurer for the Blue Bell, Pa., company. Unisys employees hold some 4.5 million shares, or about 3% of the 160 million shares outstanding.

The moves by Brunswick and Unisys to public financings will expand the market somewhat for ESOP lending beyond commercial loans and private placements with banks and insurance companies, according to executives at the companies and investment banks.

The possible market for ESOP debt, publicly or privately offered, is limited. Mutual funds are the only investors beyond banks and insurers to qualify to receive the 50% exclusion on interest income from ESOP debt, according to advisers involved in the offerings.

Herbert W. Krueger Jr., a lawyer with Mayer Brown & Platt, Chicago, tax counsel to

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CFOs' salaries reach $1 million

By Marcia Parker

The chief financial officers of ITT Corp. and Merrill Lynch & Co. broke the million-dollar salary mark in 1988, as corporations continue to increase the rewards for financial wizardry.

M. Cabell Woodward Jr., ITT vice chairman and chief financial officer, garnered the No. 1 spot, earning $1,034,484 in salary and bonus. Courtney Jones, Merrill Lynch executive vice president and chief financial officer, took second place, with an even $1 million.

They were the two highest-paid top financial executives among more than 1,000 public companies sampled by *Pensions & Investment Age*. In third place, at just less than $1 million, is James Riordan, director, vice chairman, executive vice president and chief financial officer of Mobil Oil Corp., who made $987,833.

The compensation paid to 54 chief financial officers and chief executives of the country's leading industrial and financial service companies is highlighted on page 31. Data for the survey came from the companies' 1989 proxy statements. Salaries include base pay and annual bonus, but exclude other long-term compensation. Whenever the long-term incentives were provided in the proxies, they are listed separately under "other" in the table.

Other highly paid financial executives include Ronald Arnault, executive vice president and chief financial officer at Atlantic Richfield Co., $843,222; James Stewart, executive vice president and chief financial officer of CIGNA, $791,000; C.H. Folley, vice chairman and chief financial officer of Ingersoll-Rand Co., $712,950; Ronald Doerfler, senior vice president and chief financial officer of Capital Cities/ABC Inc., $673,200; and H.W. Haynes, executive

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M. Cabell Woodward Jr., left, and Courtney Jones cracked the $1 million salary level.

The United Mine Workers union is digging in for a heated proxy battle with Pittston Co. management.

Miners lead proxy bid

Claim fight is unrelated to labor dispute

By Marcia Parker

GREENWICH, Conn. — Shareholders of The Pittston Co. will determine the outcome next week of one of the season's most bitter and unusual proxy contests.

It's a campaign by the United Mine Workers of America to win stockholder support for corporate governance resolutions the union is sponsoring, bolster shareholder value and garner a little sympathy for its long-running labor dispute with management.

Proxy season watchers are keeping close tabs on the Pittston-UMWA fight, which will be decided at the company's annual meeting May 10. Labor unions are relative newcomers to the growing institutional shareholder activism movement, which has been led mainly by a few public pension funds.

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LATE NEWS

Support up in early proxy tests

Shareholder resolutions calling for Consolidated Freightways Inc. to put its poison pill to a shareholder vote and Whirlpool Corp. to adopt confidential voting garnered strong votes, if not enough to win.

The two early tests may indicate shareholder support is growing for anti-poison pill resolutions and secret balloting.

At Consolidated Freightways, 48.3% of shareholders voted in favor of and 44.6% opposed the resolution sponsored by the California Public Employees' Retirement System. Because the 7.1% in abstentions are credited to management, which opposed the measure, the proposal won a plurality but not the majority needed. Support, however, did increase; last year, 42.4% supported the same resolution.

At Whirlpool, the vote in favor of the California fund's confidential ballot proposal was 36.7%; 54[illegible] voted against the measure and 8.9% abstained. It was the strongest showing this year in support of secret ballots.

Robert C. Brown talks called off

SAN FRANCISCO — A group of San Francisco investors ended discussions regarding a cash offer to purchase up to 85% of the outstanding stock of Robert C. Brown & Co.

Thrift Investment Services, led by Patricia Howe Ellison, had been negotiating with Robert C. Brown officials to acquire 75% to 85% of the publicly held fixed-income investment management and brokerage firm. Ms. Ellison had indicated a deal was near (*Pensions & Investment Age*, April 17).

A statement from Robert C. Brown officials said the parties "were unable to reach agreement on terms." B. Mason Fleming Jr., executive vice president at Brown, declined to elaborate.

Institutions form 3rd bond group

NEW YORK — A third group is being formed to fight for bondholders' rights, particularly in the high-yield area.

Reliance Insurance Co., New York, and T. Rowe Price Associates, Baltimore, are among the institutional members. Reliance reportedly is organizing the group, which has no name as yet.

The group joins two others formed in the past year to protect bondholder interests in the wake of heightened corporate restructuring activity. BondReview Inc., a Beverly Hills, Calif.-based bondholder service organization is geared to holders of high-yield bonds. The Institutional Bondholders' Rights Association was launched to fight the erosion of credit quality of corporate debt caused by restructurings.

Sponsors alter manager lineups

- TOPEKA — The $3.1 billion Kansas Public Employees Retirement System has shifted $430 million in assets to more evenly balance its growth and value investments, according to Marshall Crowther, executive secretary.

Hired last week were Loomis, Sayles & Co. Inc., Pasadena, Calif., to manage $150 million; and Delaware Investment Advisers, Philadelphia, to manage $280 million.

Terminated was Investment and Capital Management Corp., Rolling Meadows, Ill., which was managing a $280 million equity portfolio. Reimer & Koger Associates Inc., Merriam, Kan., had its $150 million equity portfolio terminated, Mr. Crowther said, but retains its $230 million direct placement portfolio and a $60 million portfolio that invests in Kansas companies.

Callan Associates Inc., San Francisco, consulted in the change.

- DALLAS — The Trammell Crow Distribution Corp. profit-sharing plan has hired Bear Stearns Asset Management to run its $2 million in assets in a balanced account, according to Bryan Keyes, vice president-finance.

The former manager, Wasatch Investment Advisors of Salt Lake City, was terminated because trustees wanted a manager that invests in blue-chip stocks and high-quality debt; Wasatch specializes in start-up and middle-market companies, Mr. Keyes said.

Connecticut fund fills new post

HARTFORD, Conn. — The $6.2 billion State of Connecticut Trust Funds hired John Winchester, former manager of trust investments at International Paper Co., as senior investment officer, a new position.

Mr. Winchester will assist Frank McDermott, assistant treasurer-investments, in overseeing the investment management of the fund. Mr. McDermott said Mr. Winchester will work on a newly created pension analysis unit that will be used in the selection and monitoring of investment managers and mutual funds. Mr. Winchester also will be the prime contact person on all domestic and international stocks and bonds.

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Vol. 17, No. 9 — Pensions & Investment Age (ISSN 0273-5466) is published biweekly with a special edition in May, at 740 Rush St., Chicago, Ill. 60611. Second class postage paid at Chicago, Ill. and at additional mailing offices. Postmaster: Send address changes to Pensions & Investment Age, Circulation Dept. 965 E. Jefferson, Detroit, Mich. 48207.

IRS to ease funding

New formula set for 401(h) contributions

By Fred Williams

WASHINGTON — A series of private letter rulings by the Internal Revenue Service has removed a major stumbling block for several employers to using 401(h) accounts to pre-fund retiree medical benefits, setting a precedent that is expected to be used by other companies.

Under 401(h) regulations, sponsors of defined benefit plans may fund retiree medical benefits on a tax-deductible basis as long as contributions to the 401(h) account do not exceed 25% of the aggregate employer pension contribution. As more plans have become fully funded, however, contributions have slowed and deductible contributions to 401(h) accounts have dried up as well.

Now, according to several actuaries and employee benefits specialists, the IRS said in a series of private letter rulings in March that an employer may determine the 25% limit, even where contributions are blocked by the full-funding limitations, by using the projected unit credit actuarial cost of providing benefits rather than contributions.

The change of position could stimulate interest by employers to initiate 401(h) accounts or to reinstate tax-deductible contributions to existing accounts to start funding potentially huge retiree medical liabilities.

Estimates of the total retiree medical liabilities in the United States range from $200 billion to $2 trillion.

Fred Rumack, director of tax and legal consulting at Buck Consultants Inc., New York, said the firm has been recommending its pension clients "move quickly" to obtain a letter ruling from the IRS because the letters already issued, while they might be a precedent, may not be relied upon by other pension plans.

"To the extent companies have their own private letter rulings, this represents one of the best ways to fund post-retirement medical liabilities," said Mr. Rumack. "The assets can be commingled with pension assets for investment purposes, but it is a separate account. Companies should be able to accumulate substantial assets in a relatively short period of time depending on the size of the company."

The IRS rulings are so recent many pension plan executives have not heard about them.

William J. McHugh Jr., director-trust investments at CIBA-GEIGY Corp., Ardsley, N.Y., said his company considered various options for funding its retiree medical liability, which he described as "good sized." The company has considered various methods, such as company-owned life insurance, a 501(c)9 trust and a 401(h) account.

Mr. McHugh said he hadn't heard of the IRS actions, but that because of the rulings, the 401(h) "might be attractive to us, since, like most companies our size, we have a large liability."

He said the company's normal pension costs amount to about $20 million, which would allow contributions of $5 million in a 401(h) account.

"This is fairly new. We had heard that people had petitioned the IRS for private letter rulings. We will look into it. It is one way to begin funding for this liability," he said. Even if CIBA-GEIGY begins funding using a 401(h), he said, the assets would amount to "a drop in the bucket" compared with the overall liability.

Sunny Oberoi, director-pension fund investments at Pacific Gas & Electric Co., San Francisco, said

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Banks preparing for fight on BICs

By Fred Williams

WASHINGTON — Banking and insurance industry lobbyists are squaring off for a fight over a two-year moratorium on federal guarantees for bank investment contracts contained in the House thrift rescue bill.

The issue probably will not be resolved until after Memorial Day, when House and Senate conferees meet to resolve differences between their respective thrift bills.

In April, the insurance industry launched a broadside attack in Congress against bank investment contracts, which are taking a growing portion of the insurers' lucrative guaranteed investment contract market.

The American Council of Life Insurance succeeded in getting a key House Banking subcommittee to adopt an amendment imposing a two-year moratorium on federal pass-through guarantees of $100,000 per participant on BICs.

In addition, it is unclear whether the House provision would strip the $100,000 per participant coverage from jumbo certificates of deposit. Numerous union pension funds have channeled job-creating investments through jumbo CDs, as the bank issuing the CD agrees to provide construction financing for projects built with union labor.

While an aide to Rep. Charles Schumer, D-N.Y., who sponsored the House amendment, said wording in the bill's report will make clear only BICs are affected, a banking lobbyist said a court would look to the legislation's wording before examining a committee report.

Although the banking industry had anticipated an attack on BICs, bankers were caught off guard with the timing of the measure and were scrambling to formulate a policy response. The full House Banking Committee was expected to vote last week on the House bill, H.R. 1278, but a counterattack by the banking industry probably will wait until the two versions of the bill go to the conference committee.

The two-year moratorium would affect pass-through insurance coverage provided by the Federal Deposit Insurance Corp. and the Federal Savings and Loan Insurance Corp. The moratorium would hold while the Department of Treasury conducts an 18-month study of the federal deposit insurance program and for an additional six months while Congress considers the study.

The provision would bar the FDIC and the FSLIC from extending pass-through coverage from April 6 — the date the amendment was adopted — through the duration of the moratorium to individual investors in unit investment trusts or to individual pension or profit-sharing plan participants. It also would ban pass-through coverage for any bank instruments issued after April 6.

An effort to pass a similar provision in the Senate Banking Committee failed. Sen. Christopher Dodd, D-Conn., sponsored the amendment there, but settled for a six-month study on the pass-through of federal deposit insurance.

The insurance industry has been increasingly critical of banks offering guaranteed investment contracts, a virtual monopoly for insurers until two years ago.

Banks were capturing a large portion of the $150 billion guaranteed investment market, especially in the shorter maturities. The growth of the banks' participation paralleled that of the defined contribution and 401(k) market. According to one insurance company estimate,

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Funds bet on lottery proceeds

By Curtis Vosti

INDIANAPOLIS — State legislators are betting a lottery could provide the windfall to fill an estimated $5.6 billion shortfall in Indiana's public pension funds.

If so, it would be the first time lottery proceeds would be earmarked specifically to fund pension funds, although a few states put lottery money into general operating accounts, which could be used for pension funding.

As the Indiana legislative session approached its end April 30, a conference committee was working on a lottery bill that would direct about $35 million annually toward the state's unfunded pension liabilities.

In 1988, Indiana voters approved a constitutional amendment to overturn a ban on lotteries, parimutuel betting and other forms of gambling. The authorization for a lottery has passed both houses of the Legislature, with differences to be ironed out by the conference committee.

State Rep. Brad Fox proposed the pension liability payments, and said he expects three of the four members of the conference committee to support it. Mr. Fox said the plan would amortize the deficit over a 40-year period to cover the unfunded liabilities of the state police, firefighters, and teachers pension funds. The balance of the lottery revenue — after the $35 million pension payment — initially would be spent on an infrastructure program, if Mr. Fox's proposal is accepted.

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Edelman sets crosshairs on Europe

By Margaret Price

For American investor Asher B. Edelman, Europe is the new land of opportunity.

Having already cut a wide swath through corporate America as an investor-raider, Mr. Edelman last year officially began addressing perceived undervalued situations in Europe; to do so, he moved to Lausanne, Switzerland.

Exporting hostile takeovers and treading on what Mr. Edelman admits is "someone else's backyard" is a bold stroke.

But the dapper 49-year-old investor, who says he studied in Europe during the 1950s, and worked there in the '60s, actually started "looking at European companies about four years ago. I found more and more situations that were considerably cheaper . . . than American companies," he said in an interview in his New York office.

"In several countries — England, France and Belgium — there are what I consider to be very equitable shareholders' rights, very reasonable approaches to acquiring companies and reasonable approaches to defending managements who would rather stay in companies," Mr. Edelman said.

In the United States, Mr. Edelman went after such companies as Lucky Stores Inc. and Burlington Industries Inc., using the capital markets and assets from companies he controlled and some of his and his friends' money.

For his strategic block investments in Europe, however, Mr. Edelman is welcoming institutional and individual investors through two funds: Felicitas Partners, founded in March 1988 and designed for U.S. investors; and Edelman International Ltd., founded last August in the British Virgin Islands and intended for off-shore investors.

Although Mr. Edelman has raised only about $40 million — $25 million for Felicitas and $15 million for Edelman International — performance has given Mr. Edelman fodder for crowing. At year end, Mr. Edelman claimed Felicitas Partners had a return for the 10 months of 122.5%, netting 92% to investors. After four months, Edelman International had a 34% return, netting 25.5% for to investors, he claimed.

Mr. Edelman said two other public investment funds managed by him also did well: a 28.88% return last year, with a 19.54% net return to investors for Plaza Securities Co., a New York broker-dealer, and a net return of 50.97% in 1988 for Plaza International Ltd., an offshore fund founded in January 1988, and based on the British Virgin Island of Tortola.

Asher Edelman is trying to interest U.S. institutional investors to invest in funds he controls to take advantage of the corporate opportunities he sees in various European countries.

The source of these returns included investments in Lonrho PLC, Payless Cashways Inc. and Centel Corp.

Thus far, European institutional investors have been easier to sell on takeover funds than those in the United States, Mr. Edelman said. But he thinks U.S. attitudes might be changing slowly.

Particularly in light of his performance, he said investments in foreign takeovers might appeal more to U.S. pension funds than do investments in U.S. takeovers.

"I think (pension fund managers) have a different attitude about what goes on abroad," said Mr. Edelman. Without identifying which ones, he said "there have been pension funds that have said: 'Maybe we'll take a harder look (at these investments). They're not on our home base, and they are something that might make sense for us.' "

Mr. Edelman landed Genesee Partners of Bellevue, Wash., as one of the first U.S. institutional investors in Felicitas Partners: Genesee, a fund with about $28 million under management, reinvests its money with other money managers; it put $1 million in Felicitas Partners this year as Genesee's first European exposure, said Richard McLean, a Genesee general partner.

But successes notwithstanding, European investing hasn't been a breeze for Mr. Edelman. For one thing, he has had to digest a bevy of different cultural and legal rules of corporate takeovers — such as "there are no highly confident letters" (indicating the acquirer is confident of obtaining financing) in England, and anyone launching a takeover bid there has to have a 100% commitment for the money. He also cites the different rules about reporting requirements and holding periods for takeover bids.

Investing in Europe also has meant Mr. Edelman has had to modify his approach. The man often viewed as a media hound in the United States has tried — albeit fairly unsuccessfully — for a lower profile in Europe and, where possible, has tried to meet quietly with managements of European companies in which he is interested.

Yet, pitfalls remain. And like it or not, Mr. Edelman hasn't stayed out of the limelight. To date, he has been involved in two public deals in Europe. The first was with Britain's Lonrho PLC, where he surfaced last September with a 5% stake. In so doing, he locked horns with Lonrho's formidable chief executive, R.W. "Tiny" Rowland, who was determined to identify the person buying his company's stock.

The situation quickly got messy. According to Mr. Edelman's interpretation of the events, Australian beer mogul Alan Bond also

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The world of indexes is getting bigger

High correlation exists among bond benchmarks

By Fred Williams

The four major fixed-income indexes are so similar they are nearly identical, a study by two University of Notre Dame professors concludes.

But while the study indicated no single benchmark is completely accepted, the indexes produced by Shearson Lehman Hutton Inc. have become almost ubiquitous for performance measurement and management of bond index funds.

The firm's government/corporate and aggregate indexes are used by upwards of 80% of bond portfolio managers, industry experts estimate. The aggregate index, which includes mortgage-backed securities, is gaining favor among bond investors.

The Notre Dame study of the bond market between 1980 and 1987 found an extremely high correlation among the bond indexes, just less than 100%. Indexes included in the study were the Merrill Lynch Domestic Government/Corporate Master Index, Salomon Brothers Broad Investment Grade Index, the Shearson Lehman Government/Corporate Bond Index and the Ryan Financial Strategy Group Treasury Index. The study was conducted by Frank K. Reilly and David Wright, finance professors.

Ronald Ryan spent six years at Lehman Brothers Kuhn Loeb (the forerunner to Shearson Lehman Hutton) before starting Ryan Labs Inc., New York, in 1982; he either designed or supervised more than 70 bond indexes, including the government/corporate index. He said one reason the indexes look and act alike is they have become dominated by the government bond sector. The government sector comprised 58% of the Merrill Lynch index, 54% of the Salomon BIG and 73% of the Shearson Lehman index in 1988.

Mr. Ryan believes the trend will accelerate primarily because Treasury debt continues to mushroom.

"The bond market is becoming government-based; as a result, indexes are government-based," he said. "Performance measurement says that people can't beat the market. By observing that, it is pretty obvious that market products, index products, make a lot of sense.

"The Notre Dame study says that all bond indexes look alike; their correlations are almost 100%. That says it makes no difference which index you pick," Mr. Ryan said.

"They all measure the same thing: interest rate volatility. That is the big message.

"Yet few people understand how bond indexes are created, their mechanics, their behavior patterns. Can you imagine a football team going out on the field of battle and they don't know who they are playing?

"Bond managers do not understand bond indexes very well. They have never designed them, they don't understand the mechanics and Wall Street doesn't provide good information. It's usually monthly, it's usually sketchy, it's usually delinquent. Can you imagine with equities if the S&P 500 came out monthly and delinquent?"

Among the other findings of the Notre Dame study:

- A bond index might be tracked using fewer issues than that contained in the major indexes.

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More firms vying in global arena

By Margaret Price

After nearly two decades as the dominant measurement of world equity market performance, Morgan Stanley Capital International's Europe Australia Far East Index is facing intensifying competition.

That means investors now have a wide choice of indexes against which to measure the performance of their international managers and their total portfolios, or on which to base passive international portfolios.

In the past few years, a number of firms — including Goldman, Sachs & Co., Salomon Brothers Inc. and Shearson Lehman Hutton Inc., all of New York — have begun to try to capitalize on the growing investor interest in both international investing and passive strategies.

In addition to bolstering the sponsoring brokerage firms' volume of stock trades, the new index offerings could give some free publicity to the firms' general brokerage and investment banking activities.

The FT-Actuaries World Indices, a joint venture of Goldman, Sachs, Financial Times Ltd. of London and County NatWest/Wood Mackenzie, London, made its debut at year-end 1985. The Salomon-Russell Global Equity Indexes, formed by Salomon Brothers and Frank Russell Co., Tacoma, Wash., bowed in July 1987.

This fall, Shearson Lehman Hutton, in conjunction with Dow Jones & Co., plans to unveil its Dow Jones World Index, according to Shearson's Christopher Hayes, project manager for the international equity index.

The firms' efforts face a hard battle, as the EAFE clearly is maintaining its dominance, at least in the United States.

Mark Sladkus, vice president of Morgan Stanley & Co., New York, claims "close to 100% of international money managers use our indexes," either with passive or active approaches. The indexes are used for at least $9.6 billion in tax-exempt assets used in passive strategies, he said.

Said Duncan Fordyce, senior vice president, InterSec Research Corp., Stamford, Conn.: "The bulk of money managers continue

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How major indexes rack up

Bond

Vendor	Pricing	Weighting	Daily availability	No. of issues	Minimum maturity (years)	Min. par value ($ mils.)
Merrill Lynch	trader & model	market value	yes	4,900+	1	10
Ryan	market	equal	yes	7 Treasuries	2	—
Salomon	trader	market value	no	4,500+	1	25
SLH	trader & model	market value	Treasury index only	6,000+	1	1

Source: Frank Reilly and David Wright, University of Notre Dame

International

Vendor	Assets tracking indexes ($ bils.)	Number of stocks	Cost*
Goldman, Sachs	4	2,500	1.79%
Salomon	1	1,687	1.28**
Morgan Stanley	9.6	1,021	1.45

* of implementing a $100 million equity portfolio
** for the 800-issue Primary Market Index

Source: Companies and [illegible]

GLOBAL INSTITUTIONAL INVESTING

Japanese to keep assets flowing

By Curtis Vosti

TOKYO — A glut of investment capital is expected to be available from Japanese investors in the immediate future, as an economic restructuring coincides with tremendous growth in pension assets, tokkin funds and available personal savings.

Outlets for these funds are expected to be in a growing Japanese market and internationally, though the relative amount of investment in the United States is expected to decline.

Japanese pension funds, estimated to be about $200 billion in 1989, are expected, as the population ages, to grow to more than $600 billion by 1995, according to Mark Ira, vice president and senior investment officer with Yasuda Bank and Trust Co., Tokyo.

The aging population, and expected increased pension costs is putting more emphasis on performance, according to a spokesman for Banker's Trust Corp., New York, which should mean a greater share of foreign bank management of the tokkin — or surplus corporate cash — funds.

The Banker Trust's spokesman said the pension and tokkin market should triple between 1988 and 1993. At the end of 1987, the tokkin market was $229 billion, according to the Japan's Trust Bank Association. According to the Nikko Research Center, New York, the tokkin market grew by $42 billion in 1987 and by $27 billion in 1988.

These investment assets are expected to be joined by a boost in available personal savings that will mature in the next three years.

Personal savings available for investment, in postal savings, government bonds, bank debentures and loan trusts, are expected to be about $205 billion in fiscal year 1989, $375 billion in fiscal year 1990 and $204 billion in 1991, according to Daiwa Securities America Inc., New York.

Because the government is trying to pay off its debt in advance of future obligations due to a rapidly aging population, it is redeeming more bond issues than it is issuing, according to Michael Longthorne, who works in Japanese equity sales for Robert Fleming Inc., New York. He estimates the reduction in the bond market in fiscal year 1989, which began April 1, to be about $16.2 billion.

As approximately $74.5 billion in bonds, much of it high-coupon debt issued after the oil shock of 1979, comes due, he said, institutions, especially cash-strapped insurance companies, may turn to foreign bonds. Exchange rates will also be a factor, he said.

"The key thing is we don't know how institutions are going to react," Mr. Longthorne said.

Daiwa officials think a large portion of this available cash will go into the stock market, as law changes have been made to encourage individual investment in the market. Among the changes are: a lower capital gains tax that should encourage wealthy individual investors and a reduction to 30 basis points from 55 basis points on the transfer tax.

"For the long term, the stock market will continue to focus on structural change in the Japanese economy and its new directions. In this light, development of infrastructure will remain the most important market theme," according to Daiwa.

According to Mr. Ira, this restructuring push is akin to the era of U.S. interstate highway development in the early 1960s. The idea is to structure the Japanese economy more to a domestic demand push from an export push. Laws making it easier for companies to restructure are along these lines, he said, and the overall effect will be positive on the Japanese market.

"This translates into

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1988: A good year for world markets

	Equity return*	Market capitalization (in U.S. $ mils.)
Japan	38.9%	3,840,178
United Kingdom	5.9	718,058
West Germany	32.8	240,790
Switzerland	22.9	147,853
Italy	22.5	135,125
Australia	12.0	133,965
Spain	15.5	66,887

* local currency terms without dividends reinvested
Source: Morgan Stanley Capital International

Real estate still magical

Japanese real estate investment in the United States is expected to remain robust, but plateau.

The Japanese invested $16.54 billion in U.S. real estate in 1988, compared with $1.86 billion in 1985, according to Jack Rodman, a partner of Kenneth Leventhal & Co., Los Angeles, which recently published a study of Japanese investment in the United States.

"Assuming no economic or political catastrophes, we expect 1989 Japanese (real estate) investment to be in the magnitude of $13 billion to $16 billion," the study says.

Mr. Rodman said the amount — which doesn't include another $2 billion worth of projects that may come on line in late 1989 — is tempered by competition from European markets. There will continue to be increased diversification geographically, away from "trophy properties" in Honolulu, Los Angeles and New York, and by property type, including acquisitions of shopping centers and other retail facilities and business parks, he said.

He said he expects the money-rich Japanese pension funds to become more involved, in part because of liberalization of Ministry of Finance rules regarding foreign investments.

Japanese banks also should become more involved, Mr. Rodman said, as they manage more Japanese pension fund assets and as they become more competitive with U.S. financial institutions in financing real estate acquisitions.

"Japanese banks that have been here a couple of years are becoming more comfortable in their analyses of real estate transactions," he said. "At first, all they wanted to do was put a mortgage on a completed building. Now, they are much more aggressive."

He said the banks will begin to function as intermediaries, matching Japanese and U.S. development and construction companies in joint venture projects.

Mr. Rodman said the importance of developers to the Japanese was driven home to him recently, when Takehiro Takuma, a deputy general manager from Mitsubishi Bank, Ltd., Tokyo, said that for Japanese Banks, the old real estate maxim "location, location, location" has been changed to "developer, developer, developer."

— Curtis Vosti

Australia chaos

New pension tax creates confusion

By Greg Bright

SYDNEY, Australia — The government's wishes to wean the nearly $80 billion pension industry from the public purse and regulate and minimize tax breaks for the pension system has left Australia with a maze of requirements for fund trustees, managers and consultants.

The government introduced a 15% tax on investment income and a 15% tax on employer contributions. It also created new "reasonable benefit" limits to be phased in over a number of years restricting lump-sum payments to executives.

The changes, announced in the May Economic Statement of 1988, were felt in the stock market — which rose 10.9% last year in local currency terms, according to Morgan Stanley Capital International, New York. Coming as it did on the heels of the October 1987 market crash, the changes have meant virtual abandonment by institutional investors of smaller-capitalization companies and more speculative companies with poorer earnings. Most fund managers have been overweighted in the top 100 by market capitalization stocks.

Institutions now are competing for leading industrials and other companies that paid full or near-full rates of company tax. As part the government had introduced a "franking" system whereby dividends were fully or partially franked when paid by companies that had paid company tax. The franked portions were then deducted from the income tax liabilities of stockholders.

Thus, the pension funds could reduce or eliminate the investment income tax by investing in the stocks of companies whose dividends had been "franked" because the company had paid tax.

Most of the older and larger corporate defined benefit plans escaped the contributions tax last year because the large surpluses amassed in the early 1980s' bull market made contributions unnecessary.

But Australia is still swirling in the winds of uncertainty; although the rules were applicable since July 1988, actual legislation had yet to be introduced to Parliament as of mid-April. The Treasury Department officials drafting the legislation appear to have difficulty backing government claims that pension fund participants will not suffer because of the changes.

Martin Stevenson, deputy managing director of Mercer Campbell Cook & Knight, a consulting and actuarial firm, said pension fund trustees had become increasingly concerned about being forced to comply with guidelines

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U.K. traditions languish

By Margaret Price

In the United Kingdom, time-honored patterns of institutional investing are beginning to crack, if not crumble, amid growing competition among money managers and the rising presence of pension fund consultants.

Changes are evolving slowly. More and more, institutional investors — particularly U.K. pension funds — are embracing new investment ideas that often originated from the United States. Along with the growing wave of U.S. pension fund consultants setting up shop in the United Kingdom in the 1980s, came ideas ranging from use of quantitative strategies to specialty money managers.

Clearly, one of the more popular of these imports has been the use of indexing investments. With this strategy, investors saw they could gain the assurance of tracking market indexes with reduced investment costs.

There were, of course, deterrents that continue to weigh on indexing's popularity. One was the chance of forfeiting better-than-market returns. Today, many believe indexing is still in its trial-run stage, and experts say about 5% of U.K. pension funds' assets are now indexed. That allocation is widely expected to rise.

James Woodlock, a director of London-based Barclays de Zoete Wedd Investment Management Ltd. and head of BZW's index funds team, predicted "this is going to be a bumper year" for indexing. BZW manages about $1.36 billion in its commingled index funds. Mr. Woodlock expects that amount to about double in the coming year.

BZW's segregated indexed funds now total about $5 billion, and Mr. Woodlock hopes that amount will grow about 50% in the coming year. Word-of-mouth has helped trigger a "domino effect," he explained. Now that some "people have experienced indexing and found it to be a good strategy, more (investors are) becoming willing to try it."

A desire to boost performance has been one major attraction for indexing. But that wasn't the rational of the Shell Contributory Pension Fund, London, which "had been performing well," reported Alan Hall, the fund's investment manager.

According to Mr. Hall, Shell Contributory's large size — about $6.8 billion — was a main incentive for indexing. After the fund "grew quickly" with the equities portion rising to about $3.4 billion from some $680 million in four years, "we decided to index three-quarters of our U.K. equity portfolio," said Mr. Hall. That process began in August 1987, and was completed in April 1988.

Last year, Shell Contributory also began "using indexing (overseas) in a limited way," said Mr. Hall. He said that about 5% of the fund's overseas equities holdings — totaling about 19% of Shell's pension fund assets — are indexed.

At least some market participants believe indexing of non-U.K. investments may prove quite popular. The rationale: Few investors can be expected to understand the foreign markets the same way they know domestic markets. Japan's market performances have dramatically underscored the problem. In recent years, many London money managers "have been light in Japan, with the result that our international performance has fallen behind" indexes, conceded David Barker, managing director of Hill Samuel Investment Management Ltd., London.

According to The WM Co., an Edinburgh, Scotland-based performance measurement consultant, U.K. pension funds, on average, underperformed overseas markets 5% annually; against the Japanese market, they underperformed 9.4% per year.

To help rectify such problems — and to expand clients' choices in how they invest abroad — Hill Samuel and some other money managers have begun offering indexed products for foreign markets.

For example, this past April, Hill Samuel unveiled four index offerings. Three were regional indexed funds, separately for North America, the Pacific and continental Europe. The fourth is a broad-based international indexed fund. Attesting to the apparent attractiveness of these funds, some $75 million already has been invested in them by 15 to 20 U.K. pension plans, said Mr. Barker.

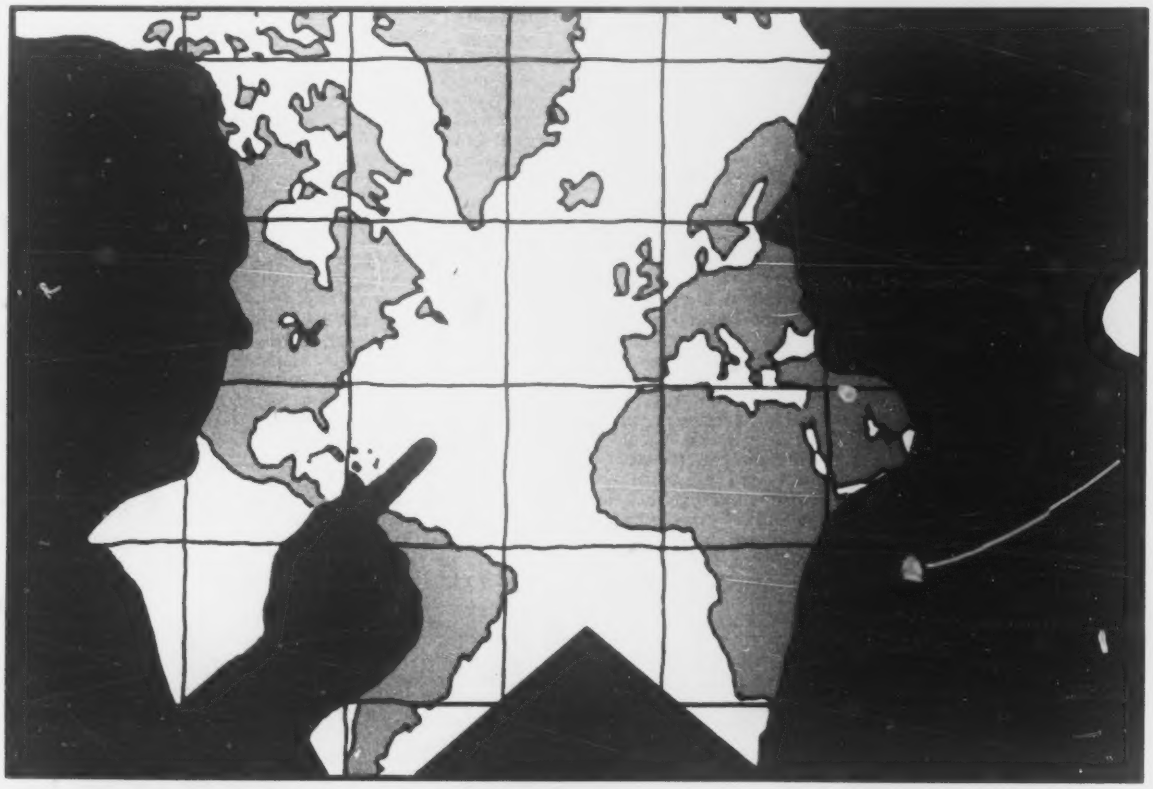
Inevitably, the U.K's affinity for other new investment tools and processes will vary. Graham Jordon, a performance consultant in the London office of The WM Co., thinks international indexed funds could catch on — "possibly more than U.K. indexed funds." He also sees quantitative ideas selectively catching on. "We'll be watching the U.S. to see which ones have worked and which haven't," he predicted.

Besides quantitative offerings, U.S. pension fund consultants have imported notions of specialty management. These have increasingly caught on in London, where investment managers have seen specialties as a growth business area. Some specialty boutiques also have popped up to offer expertise in particular disciplines. Many balanced managers also now market such prowess as European equities, Pacific Rim equity markets, or even quantitative products.

Schroder Investment Management Ltd., London, is a balanced manager. "But to do our job properly, we have (traditionally) needed to have specialists covering all the markets in which we invest," said Brian Wood, a director of the firm. More recently, Schroder has "begun marketing these specialists as specialists," he said. "And now the firm cannot only provide a total product but also products."

Mr. Wood added, however, "it's still very much the minority that hire us for specialities." And given the higher cost of using specialists, "only very big funds can consider specialization." Thus, his firm's opinion is that "we don't see this as a long-term powerful trend."

Many U.K. pension funds may be too small to consider using consultants, pointed out Mr. Jordon. But some other institutional investors, mostly notably U.K insurance companies, appear to be simply ignoring at least some of the trends influencing larger U.K pension funds. Russell Smith, marketing manager for R. Watson & Son, consulting actuaries in Reigate, observes U.K. insurance companies tend to have "unexciting strategies but solid perfor-



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German institutions eye new paths

By Margaret Price

BONN, West Germany — West German institutions, which have long preferred to invest "safely" in bonds and real estate, appear to be moving toward a social and economic crossroads that could lead toward greater interest in equities.

Demographics is one key underlying issue. German baby-boomers, who are maturing into some of today's corporate decision-makers, escaped the financial ravages of wars and inflation their parents endured. Many Germans say today's 35- to 45-year-olds carry less concern about equity investments than do older Germans.

At the same time, the labor force is inching toward retirement and likely will want employers to establish fully funded separate pension plans — possibly similar to existing plans in the United Kingdom or the United States.

On the economic front, West Germany is facing mounting competitive pressures, both domestically and internationally, that could well demand "riskier" investment strategies.

Again, demographics has a role. Analysts say insurance companies — West Germany's largest institutional investors, with roughly $328 billion in assets — are paying out increasing sums to aging claimants. During the 1980s, they've decided to try to get back some of those payouts.

One solution: setting up money management operations, sometimes jointly with banks, sometimes in competition with them.

"This trend has already started," said Michael Zapf, managing director at Mat Main Anlage Trust, the mutual fund subsidiary of the Matuschka Group, Frankfurt.

Some analysts believe this development could help expand insurers' own investments in equities, which is said to average about 5% of total investments today, although the legal limit is 20%.

Meanwhile, fears of international competition loom. As trade barriers topple, some insurers fear their business may become less competitive compared with that of foreign insurers. Specifically, if competitors can earn higher returns on their investments, they presumably would charge lower premiums and undercut German insurers' prime business.

The United Kingdom provides a glaring example of the potential threat. In that country, the life insurance clients of The WM Co., an Edinburgh, Scotland-based performance measurement consultant, have an average of 42% of assets in U.K. equities and 9% in overseas stocks.

For his part, Gregor Gielen, senior vice president of BHF Securities Corp., New York, believes German insurers will step up equity investments to the legal limit in the coming decade.

"From here we assume those riskier investments should grow faster than total assets. It should be step by step, as (insurers) gain more confidence in this and as foreign competition demands higher exposure to stocks and their substantially higher returns."

For a variety of reasons, Mr. Gielen sees the West German stock market rising 40% to 60% in the next three years (although he's not bullish for the very short term). In his view, the German market is 25% to 30% undervalued in terms of 1990 corporate earnings. "So as time goes on, the market should pick up," he said.

If such market bulls are correct, other investors besides insurers should notice the development. One particular group could be German corporate pension funds.

Today, the bulk of German companies still retain their book-reserve system of pension funding, whereby the pension reserves are retained as working capital in a company. According to Brigitte Hiegemann, a consulting actuary at Buro Dr. Heubeck, in Cologne, German company pension assets total 162 billion deutsche marks, of which two-thirds is in book reserves.

But various socioeconomic trends, including the anticipated expanding number of retirees and declining pool of young workers, could encourage companies to set up separate employee pension funds. "Given the (expected) scarcity of workers in the early 1990s, unions will be the driving force" propelling companies to set up separate pension plans, said Mr. Zapf.

If this occurs, many analysts expect companies would widely use the country's so-called "spezialfonds," separate investment pools set up by one or a limited number of organizations — as opposed to individuals — and run by money managers. According to Mr. Gielen, they have the tax advantage that their capital gains and interest income need not be reflected on sponsors' balance sheets.

In recent years, special funds have emerged as Germany's "fastest growing institutional sector," said Mr. Zapf. "Often, German insurers at least have invested directly in government bonds and real estate. But they've used special funds as professional and convenient ways to invest in equities."

According to Bundesbank figures, assets of special funds totaled about $47 billion as of January. They average a 23% allocation in German equities, 51% in German bonds, 8% in foreign stocks, 9% in foreign bonds and 9% in cash.

Many think the creation of more German corporate pension funds — if that does occur — would naturally produce more special funds, and in turn more equity investments. And in the bullish scenario, each step feeds on the other. More equity purchases presumably would boost share prices, which would encourage more companies to issue stock, thus expanding market capitalization and the overall attractiveness of German equities.

But all this may not happen quickly or imminently. Even though many analysts agree German fears of risky investments may be waning, they disagree on what market implications this bodes.

Mr. Zapf illustrated the difficulty in predicting the future of German investors. Referring to maturing baby-boomers who might be individual investors, he said: "We never have had that type of individual" who is earning a good salary and obtaining "an inheritance on top of that. We don't know what his investing patterns would be." ▪

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Spanish market poised for boom

By Curtis Vosti

MADRID, Spain — Growth and development seem to be in the wind for the Spanish market.

While Spanish institutional investors seem to be heavily on the sidelines, and the market has flattened after a 1986-'87 growth spurt, strong economic fundamentals are making it attractive for foreign investors.

Spain was the fastest growing market in 1986 and 1987, with local currency-measured gains of 91% and 13%, respectively, but it was the second worst performing market for the year ended March 31, 1989, (up 20.8% in local currency), according to Michael Perelstein, international strategist for First Chicago Investment Advisors.

This leads the contrarian-minded First Chicago to triple-weighted investments in Spain. The Morgan Stanley Capital International weighting for Spain is 1.4%. One reason for First Chicago's heavy weighting, Mr. Perelstein said, is double-digit earnings are common for many Spanish companies.

As far as the Spanish economy goes, "I'd be hesitant to dub it a backward economy, but in many cases it is," said Carol Franklin, vice president of Scudder, Stevens & Clark, New York.

The Spanish market still is in the underdeveloped stage, she said, as evidenced by the proportion of stock market capitalization to gross national product. While the United Kingdom and Japan have proportions around 85%, Spain's is less than 25%.

But that should grow, especially as the private pension system

Bartolome, chairman of Banco Espana, Barcelona, the wholly owned subsidiary of Prudential Asset Management Co.

Mr. Bartolome said laws promoting the pension system were passed in 1986. But because regulations were issued only this past December, with delays expected, pension growth will not be felt until the 1990s.

"Everybody expects this is a market that is going to explode," Mr. Bartolome said, estimating that by 1995, it could reach $15 billion. The current, pre-legislation pension market is "very small, just a few hundred million dollars," according to Wilson Phillips, of the asset management arm of UBS Phillips & Drew International Investment, London.

Mr. Phillips said factors may limit more optimistic estimates of the pension fund growth. For one, he said, tax incentives encouraging the formation of the pension system limits a company's annual tax-free contributions to $600,000. Also, employees currently hold majority control over the selection of investment managers, which, Mr. Phillips said, could provide a disincentive for corporations to set up the pension funds.

While Mr. Bartolome expects the Spanish market to grow to accommodate some of the new pension assets, what institutional money there is hasn't been willing to fill the supply.

An analysis done for Kemper-Murray Johnstone International Inc., Glasgow, Scotland, showed that in 1988, estimated demand by domestic institutions was $4 billion, less than half of the available supply. That institutional de-

Italians explore stocks

Expedited settlement draws interest of foreigners

By Pete Retzbach

MILAN, Italy — Despite a few storm clouds on the horizon, things are looking good for Italian institutional investors.

Like most of their counterparts in Europe, Italian investors are slowly moving from the conservative, traditional investments in government bonds and real estate and turning to the stock market.

According to data from Arnhold & S. Bleichroeder Inc., New York, the Milan Stock Exchange rose 21.9% in 1988 in local currency terms, with a market capitalization of $132 billion.

Italian institutional investors — which include big commercial banks, insurance companies and the mutual fund industry — seem increasingly attracted to the stock market.

Foreign investors also are looking at the Italian stock market with more interest. A big reason is the implementation of an electronic trade settlement system. In the early 1980s, investors wanting to put assets into Italy were hampered by horrendous trade settlement problems that took weeks and often months to clear.

Malcolm Duncan, a consultant with the Milan Stock Exchange, said establishment of the electronic settlement system — called Monte Titoli, which literally translated means mountain of securities — solved the settlement problem for foreign investors. "Some of the problems that plagued the (Milan) market are a thing of the past."

One remaining problem with the Italian stock market is the huge share — as much as 50% — held by the families that own the large Italian conglomerates, said Alessandro Valeri, head of institutional sales at Sige, the largest brokerage in Italy. These families tend to hold the majority of Italian blue-chip stocks, and they and the companies they control tend to trade the stocks back and forth, giving other investors practically no chance to own a piece of Italy's premier businesses, Mr. Valeri added.

Foreign investors do tap the Italian stock market, although not as much as other countries. "There is a constant presence of foreign investors in the Italian market," said Mr. Valeri. Foreign investors hold between $5 billion and $10 billion in Italian stocks depending on stock rotation. "Foreigners tend to buy and sell much more quickly" than the Italian investor, Mr. Valeri said.

Another big player in the Italian institutional market — the mutual fund industry — is having a harder time. Although raising its percentage in the stock market, the industry is being hurt by a flood of redemptions that started after the market debacle of October 1987.

Giovanni Zocche, an officer with the New York branch of Banca Commerciale Italiana, the second-largest bank in Italy, said mutual fund assets — managed mostly by subsidiaries of the Italian banks — dropped 13% in 1988 to about $38 billion. Mutual funds were 6.1% of the gross national product in 1988, 1.1 percentage points less than in 1987.

Mutual funds are increasing their percentage in the stock market at the expense of bonds. Mr. Zocche said mutual funds in 1988 had about 27% of their assets in the stock market and 52% in government bonds. In 1989, the bank predicts mutual funds will invest 3.6 percentage points more in the stock market and 3 percentage points less in government securities. The balance is invested in cash and foreign markets.

The infant pension industry is another story. "There is a boom in the pension fund industry," said Giovanni Palladino, head of research for the Fideuram Group, Rome, which runs life insurance and mutual products for Italian investors.

Mr. Palladino said the pension fund industry is being encouraged by the government to take some of the load off the overtaxed Istituto Nazionale della Previdenzia Sociale, the equivalent of the U.S. Social Security system.

The government is encouraging the private pension system, estimated to be about $80 billion, because of the aging of the population and the problems of the Italian state-run system — Mr. Duncan of the Milan exchange termed the state system as "going bust." Only a few companies are establishing pension funds for their employees so far. Most of these pension assets are managed by the Italian life insurance companies, which keep their investments conservative, mostly in bonds and real estate.

The Italians also are preparing for investing more in other countries, though the only activity right now is in the European bond arena, mostly German bonds. ■

Spanish market

Continued from page 20

mand is estimated to drop to $3.3 billion in 1989 and $3 billion in 1990, according to James Smith, investment officer for Kemper-Murray.

According to a Salomon Brothers Inc. publication, after three years of substantial capital restructuring of Spanish industry, companies are less likely to need further equity financing. Therefore, the growth in new equity supply should ease, whereas demand for equity will benefit from the gradual return of foreign investors — who had been net sellers in 1988 — and a higher weighting of equity in domestic investors' portfolios.

Ms. Franklin said the amount of Spanish investments in international markets is "minimal" because the Spanish economy is in the midst of much-needed restructuring. "There is very little interest in investing overseas," she said. "It is a tough sell to get Spanish investors to look internationally."

Another important factor relating to the Spanish markets is a government decision allowing banks to broker in mutual funds, according to Enrique Catalan, an associate with Salomon Brothers, New York.

He said the country's eight biggest banks account for 33.76% of the Madrid Stock Exchange Index.

The Salomon publication said Spanish commercial banks are arousing foreign interest for joint

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A nervous Switzerland

Unease over 1992 making banks a bit fidgety

By John Parry

GENEVA, Switzerland — Despite a brave face, there is some unease in Switzerland over the potential impact of the adoption of a single market by the Common Market countries in 1992.

Although the details have not been worked out yet, the establishment of the single market will, in theory, allow cross-border banking within the European Community. Switzerland is not a member of that community. Although the major banks profess not to be worried by its advent — "I think we all have such heavy presences in London, Frankfurt and the other EC cities that we can take the blow," said Andrew Large, vice president of Swiss Bank Corp., the nation's second largest — there is some unease over the long-term investment future.

The bulk of Switzerland's trade is with the European Community; if the doors are closed — or open only a crack — after 1992, there would be a serious problem for investors sitting on vast piles of money with little to do with it.

In addition, the Swiss franc also has been falling against the dollar — not significantly, but enough to cause a twinge of uneasiness. The robust Swiss economy and the continuing vast inflows of foreign money will prevent significant depreciation, according to the prevailing wisdom here, but the Swiss National Bank has raised its rates to stabilize the franc and reinforce its commitment to a tighter monetary policy.

All these events have combined to reinforce the traditional conservatism of Swiss institutional investors. Already burned by the events of 1987's Black Monday, the past year has made them even more cautious of putting their money anywhere except in real estate and the rock-solid bond market.

Inflation has something to do with it. "There has been a fundamental change in the attitude of Swiss banks to inflation, and this is reflected in the institutional market," said Peter Buomberger, chief economist of Union Bank of Switzerland. "And then there's 1992 of course."

According to Serge Camilleri, manager of the Swiss branch of William M. Mercer, the U.S. actuarial and benefits consulting firm, these threatened reverses are going to keep institutional money in domestic markets, reinforcing the trend of the past two years.

Commenting on figures from the United Nations that show the U.S. domestic economy growing more slowly than expected, Mr. Camilleri said it is clear Swiss investors believe they are better off at home.

Smaller Swiss pension funds have been boosting their interest in real estate. But fears the market would become over-saturated have not yet materialized, according to Walter Dettwyler, a real estate consultant in Geneva. Mr. Dettwyler, who has been advising pension funds on real estate investments for many years, thinks the funds will continue to stay in real estate simply because there isn't anywhere else to go.

"They got burned by moving into the stock market just before 'Black Monday' and it takes a long while to forget a moment like that," he said. "It's true the real estate market is relatively small . . . but at least it's a good sound investment. It's one of our national characteristics that we like to see our money in bricks and mortar."

The pension funds also have been thwarted in their efforts to buy more into industry by rule changes at some major companies that effectively bar holding more than 2% of a company's registered shares. These changes were pushed through last year by CIBA-GEIGY and Sandoz AG, two major pharmaceutical and chemical multinationals based in Basle.

Other companies were expected to follow suit. Indeed, when Nestle S.A., long known as one of the most tightly held Swiss companies, suddenly allowed foreign investors to purchase its registered shares on the open market, it implemented a 3% holding limit on the registered shares.

Previously, foreign investors could only purchase Nestle bearer shares (*Pensions & Investment Age*, Dec. 12). The result of opening the registered shares to foreigners was a substantial boost in the price of the shares and a tumble for the bearer shares, which had traded at a 100% premium.

Foreign investors were expected to rush into the registered market but were held back by the 3% rule.

In addition, this has not been a very good year for Swiss banks.

A series of embarrassing scandals — many of them touching Credit Suisse, the nation's third largest bank — has produced an unaccustomed flurry of investigative reporting by the press, which has turned up a seemingly casual attitude toward money laundering from foreign drug smuggling and other dubious activities.

Credit Suisse has had its wrist slapped by the Swiss Banking Commission for being too casual.

The banks themselves have lost millions in the shakedown process of their London operations during 1987 — and the banking commission ruled the banks no longer conceal these losses in the "hidden reserves," which traditionally were not included in the annual reports. ■

Money movers is a section that details the appointments of money management firms for tax-exempt funds.

The section appears in each issue of *Pensions & Investment Age*.

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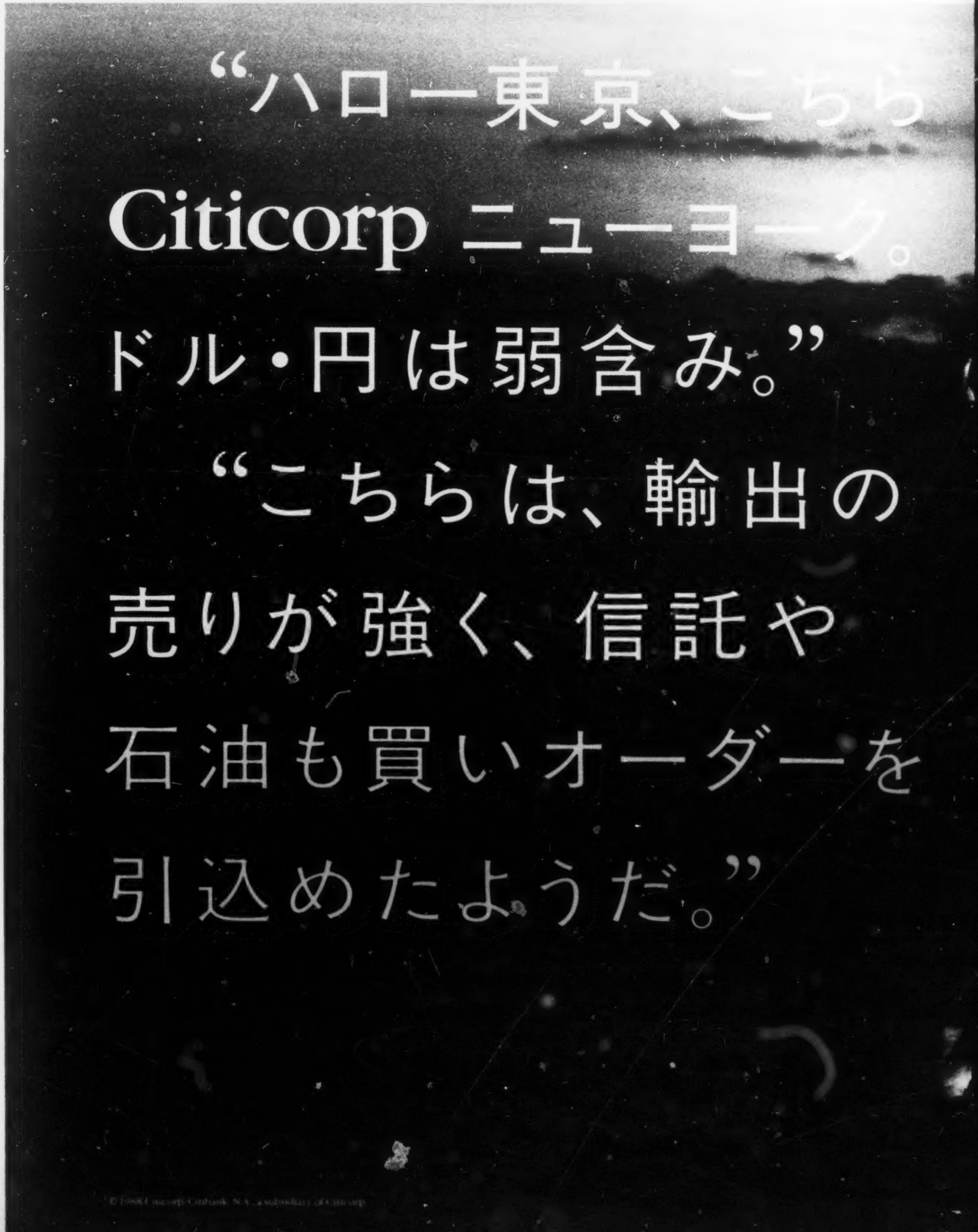

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Australia tax

Continued from page 15

that had not yet become law. "We're being governed by press releases instead of legislation," he said.

Caution following the crash also has meant moving away from equity managers to the larger balanced managers such as Bankers Trust Australia, National Mutual, Westpac Banking Corp., and AMP Society.

Mr. Stevenson said manager performance, which had been a major issue for pension fund trustees after the crash, would probably become an issue again because of continued poor performance during the past six months.

"The surveys are showing that most managers are averaging only about 2% or 3% returns while you can get 18% on the money market," he said. "Some managers have just kept losing after the crash."

He noted the "flight to quality stocks" had been caused by the crash and entrenched by the 15% tax on investment earnings.

The best performing managers in the past year — mostly balanced managers — also have been attracting an increased share of available new business.

Pension funds have lifted their holdings of cash and other fixed interest securities, increased their equity exposure (after seeing this reduced sharply during the crash aftermath) and reduced their property exposure.

According to TPF&C, one of the largest actuarial firms in Australia, for the year ended Sept. 30 — the latest figures available — pension funds increased allocations to fixed income (to 22% from 16% a year earlier) and cash and miscellaneous investments (to 20% from 10%). Funds decreased allocations to domestic stocks (to 35% from 47%) and overseas investments (to 13% from 17%). Real estate was unchanged at 10%.

Offshore investments have been generally steady in absolute terms but have been increased in terms of their share of equities exposure. There also has been a noticeable increase in the use of futures and options as hedging instruments.

The complexities of administering pension funds have been further compounded during the past year by the introduction of operating procedures for the government's newly formed Insurance and Superannuation Commission.

The ISC required pension funds to register themselves, be audited and issue annual reports to members. According to David Solomon, vice [illegible]ident of TPF&C, some of the larger funds — which already had regular audits and professionally prepared annual reports — were not greatly affected. But for others, the regulation meant additional work and costs.

Mr. Solomon said the changes have added 20% to 30% to the cost of administering a medium to large pension fund. There also is a noticeable trend for in-house funds to turn to outside consultants or to use one of the life insurance company administration services.

"There also seems to be a move away from some of the smaller consulting firms to the larger ones who have more resources to cope with the complexities," Mr. Solomon said.

The pension fund changes have been a boon to consultants who have had difficulty coping with the extra workload in the past 12 months.

Business has been booming for for the consulting actuaries, Mr. Stevenson said. Administrative charges recently were increased 25%, largely to cover increased costs associated with the new rules and regulations.

As a sign of the growth in the consulting business, Mercer now employees about 330 people, he said, compared with 147 in 1986. ■

Private plans can fill need

BRIGHTON, England — There is room in most European Community countries for private pension systems to supplement the government social security systems, but not now in Spain, Italy and Portugal, according to a top British pension consultant.

John Martin, senior partner of R. Watson & Sons, Reigate, told pension executives at the International Business Communications conference on Pensions and Employee Benefits in Europe, that government pension systems provided retirement benefits equal to between 80% and 90% of national average earnings in those three countries.

This leaves little room for private pension systems, except for highly paid executives. He said, however, those government benefit levels were likely to be unsustainable during the long term.

In the other EC countries — where government pension benefit levels range from 20% of national average earnings in Denmark to 60% in Belgium — there is room for supplemental pension plans.

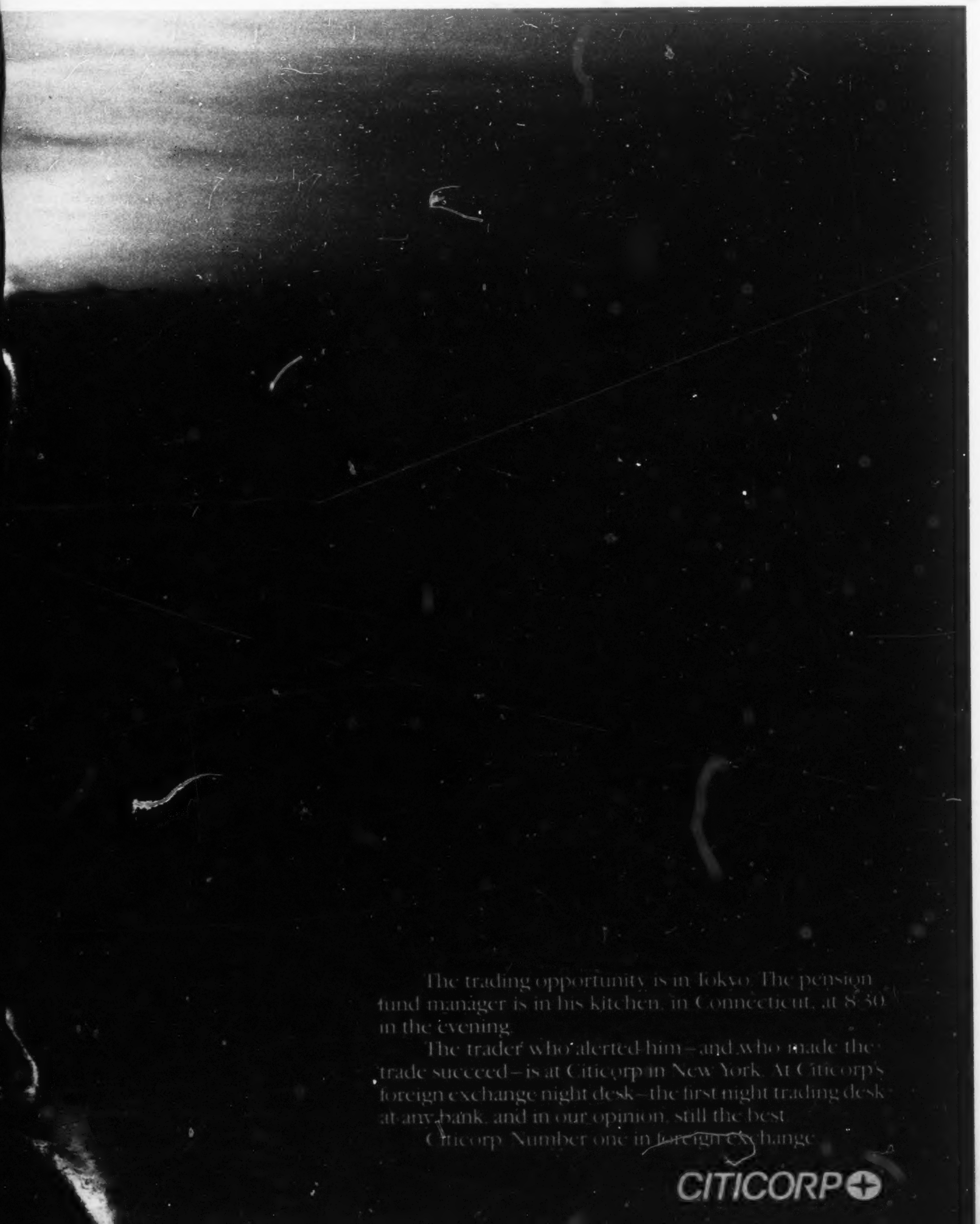
The structure of these supplementary plans varies from country to country, with Denmark having the most flexible structure and France the most rigid.

In addition, some countries, particularly the United Kingdom and the Netherlands, provide for a third level of benefits, generally in the form of tax incentives, to encourage personal pension plans, Mr. Martin said. This third level is unlikely to provide more than 10% of pre-retirement income.

Mr. Martin noted that while all state systems are pay-as-you-go, there is a great variety of financing methods for the supplemental systems — ranging from pay-as-you-go in France to book reserving in Germany to funded plans in Denmark and the United Kingdom.

While the arrival of the single internal market in the EEC Dec. 31, 1992, might cause the alignment of some benefit provisions, it is unlikely to cause dramatic changes in differences in benefits or funding methods, Mr. Martin said.

"Before real harmonization (of benefits) can occur . . . there will have to be some harmonization of taxation, not only as regards the benefits . . . but also personal and company taxation," he said. ■



The trading opportunity is in Tokyo. The pension fund manager is in his kitchen, in Connecticut, at 8:30 in the evening.

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U.K. funds do well in '88

EDINBURGH, Scotland — In 1988, the U.K. pension industry "met with a high level of investment success," especially the larger funds, according to a study by The WM Co.

The 1,444-fund universe of the consulting firm posted a weighted average total return of 13.8%, including property, and 12.1%, excluding property. The median return was 11.6%.

Larger funds, however — those with more than about $1.7 billion — returned 15% last year, including property, while smaller funds — those with $25 million or less — returned around 11.5%, according the WM report.

Apparently, larger funds got a big boost from the property sector, which rose 32.8%. According to the report, "the large funds still maintain substantial property portfolios, up to 15% (of total assets) which will have made a significant contribution in real terms."

In comparison, the smaller funds had an average allocation to property of 3%.

In general last year, it appears the larger funds "were holding their ground, and reaping the rewards in the form of the highest investment returns. The smaller funds overreacted to the 1987 crash, rushing out of falling markets and often missing the boat when the recovery began," according to the analysis.

WM points out that "against a backdrop of disinvestment at the end of 1987, overseas equities bounced back in '88 with a return of 23.4%, with 21% of this coming through in the first six months."

At year-end 1986, large funds had an average allocation of 17% to overseas equities. That dropped to 13% at year-end 1987, rising slightly to 15% by year-end '88. Small funds, for the respective periods, had average allocations of 25%, 17% and 18%.

Among WM's other findings:

- At the end of 1987, many funds took profits from their overseas holdings, even though their income stream from those stocks remained unaffected.
- After the 1987 stock market crash many funds, particularly smaller ones, rushed into cash, meaning they would have "missed out on market rises as suggested above."

The WM Co. billed the U.K. pension fund industry as "the most successful" in the world. "The competitive pressures within the industry have led U.K. funds to hold the highest proportion of real assets during the last 20 years — a period of particularly strong performance by real assets."

The consulting firm's report added "this has meant that U.K. pension funds have produced the highest real returns compared with other countries."

For instance, U.K. pension funds have 83% invested in real assets, compared with 50% for the United States and 10% to 20% for Japan. The average fund has posted a 14.7% per annum return during the past five years, and 17% for the past 10 years. These figures represent real returns of 9% and 10% per year for the respective periods. That, said WM, is "well above conventional actuarial assumptions." ■

Japanese

Continued from page 15

tremendous confidence in the market," he said. He expects the changes will allow companies to maintain a steady, if not an increasing, stream of earnings.

That confidence should even overwhelm the current Recruit Cosmos Co. scandal, according to Peter Green, president of James Capel Inc., London. The chairman of Recruit Cosmos and the former chairman of Nippon Telegraph and Telephone, the largest Japanese company, have been indicted on bribery charges in connection with the issuance of stock before sale. Though Japanese political leadership has also been implicated, which could lead to a change in government, Mr. Green thinks the scandal "is standard form in Japan" and will not affect the market.

"Westerners have always misunderstood the Japanese market," he said.

Daiwa investors, however, "are advised to monitor carefully."

While Daiwa expects individuals to assume a greater role in the Japanese market, they also expect that institutional investors will add to their significant role. Between 1984 and 1988, the share of market trading value held by the institutions had grown to 54.8% from 24.8%, while during that same time, individual participation had fallen to 32.3% from 54.3%.

The institutional presence in the Japanese market has its cost, according to Daiwa. Volatility, as measured in the proportion of yearly lows/highs was just 19.31% in 1984; after dropping to 13.72% in 1985, it jumped in the next three years to 47%, 43.70% and 42.15%, respectively, the years that institutional participation in the Japanese market rose 121%.

"Increased participation by institutional investors full of liquidity resulted in this increased volatility, in our opinion," Daiwa's report states.

While institutions are playing a major role in the Japanese markets, they also play an important role in foreign markets.

Japanese investors have been the leading international investors worldwide the last three years and should continue to do so, according to Bob Johnson, executive director of the International Real Estate Institute, Scottsdale, Ariz., which has offices in 98 countries and recently published a study of Japanese investments in the U.S. in 1988.

Mr. Johnson said Japanese were net purchasers of $11.2 billion worth of U.S. securities in February. According to Daiwa, Japanese were net buyers of foreign stocks in ten out of the 12 months of 1988, topping the year with nearly $1 billion in net purchases in July.

Bonds were a similar story. The low month for Japanese investment, like the yearly low for stocks, was in March, and its high point, at about $13.5 billion in net purchases, was in July.

Yakuda's Mr. Ira, however, said the Japanese increasingly are looking outside the United States for foreign investment for diversification purposes and because of they think U.S. market returns will sag.

While Yakuda has between 80% and 90% of its $4 billion foreign portfolio in the United States, it projects that in three to four years it will drop to between 50% and 60%. "There doesn't seem to be sense in increasing allocations in a market that isn't expected to go up," Mr. Ira said.

He said the expected change to

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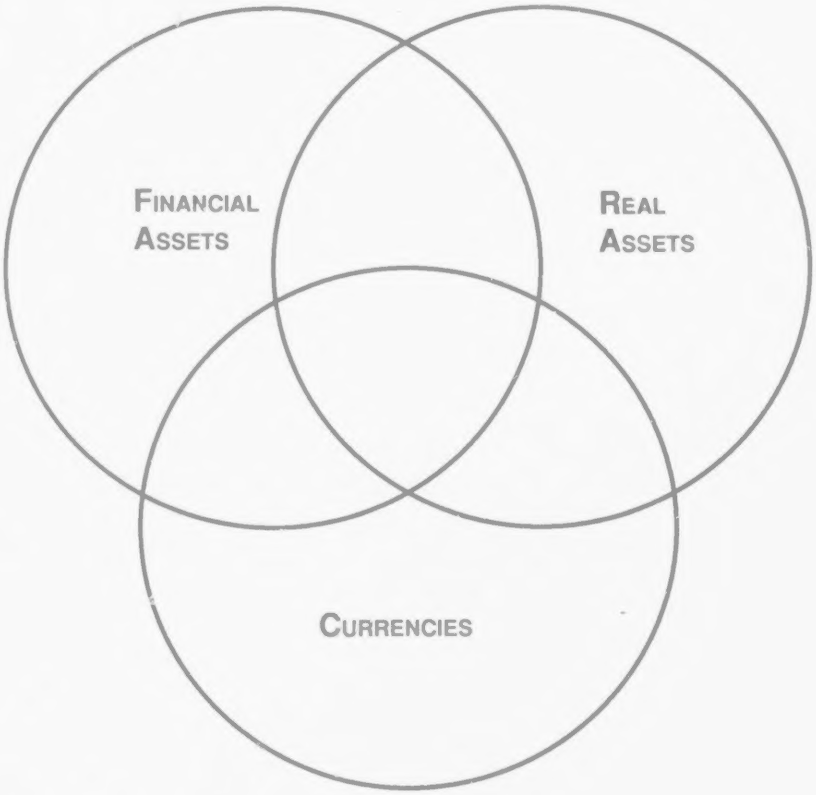

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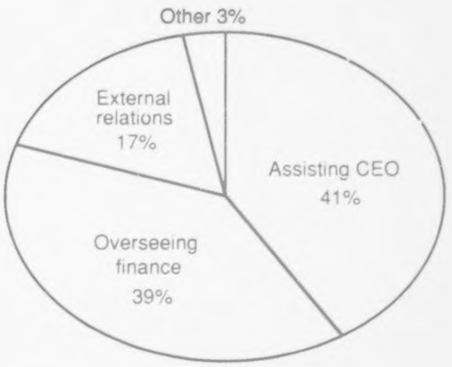

Source: Business International Corp. and KPMG Peat Marwick

By Marlene Givant Star

NEW YORK — Corporate restructuring, the globalization of financial and product markets and the increasing complexity of financial markets are profoundly expanding the role of corporate chief financial officers.

These days, a chief financial officer's top priority is to help set the company's direction through strategic planning, capital budgeting and asset allocation. He or she needs to develop a keen understanding of operations by interacting closely with managers of operating units and spending more time with the chief executive officer.

These are among the findings of a study by Business International Corp., New York, and KPMG Peat Marwick, New York, on the expanding role of the financial officer in multinational corporations. They surveyed 235 financial officers and provided the details of the extensive study exclusively to *Pensions & Investment Age*.

Nearly seven out of 10 respondents have seen their influence over operating decisions increase in recent years and more than 50% are working more closely with the chief executive officer in charting corporate strategies.

At 36% of the multinational companies surveyed, the financial officer has been elevated formally in the corporate hierarchy and almost half of those surveyed now are on their company's board of directors.

The rise in rank has been especially pronounced in European and Asian firms where more than 60% are board members vs. only 37% in North American companies.

The supervision of the finance function has become secondary to assisting other senior executives with operating management issues.

Recent changes in corporate structure, the new emphasis on profit centers and the sophistication of financial markets are altering the organization of the finance function of corporations.

Now, although finance is centralized at most companies, there is a trend toward decentralization when the function becomes more integrated with operations; more companies view finance as a profit center; and to boost profits, companies are maximizing the internal use of funds while minimizing tax liabilities. Senior financial executives are actively managing risks and costs with options, swaps and overseas markets, and chief financial officers are taking steps to reduce the risk of speculation and fraud by tight-

Continued on page 34

New bank ties coming slowly

NEW YORK — Despite the inroads made by commercial banks into investment banking, chief financial officers still look to them primarily for traditional lending, according to a study by Business International Corp., New York, and KPMG Peat Marwick, New York.

Corporations are increasing their banking relationships, partly in order to diversify their exposure to bank risk from less developed country loans, the U.S. savings and loan crisis, foreign exchange and bond trading losses and concerns about capital reserves. These additional relationships also are allowing foreign institutions to gain a foothold.

Although still strong, the relative importance of bank lending to corporations will decline during the next few years. In turn, the significance of the functions of structuring complex financial arrangements, providing information and financial advice and leading corporations into the worldwide financial markets will grow, according to the study, which surveyed 235 chief financial officers.

Some companies already are taking that view. Eastman Kodak Co., Rochester, N.Y., sees its banks primarily as executors of capital and money market transactions rather than as credit providers. "We expect commercial and investment banks to be partners, not just providers of such services," Tom Rogers, director of cash management, said in the study.

Chief financial officers favor international banking trends that create a less regulated, more competitive financial services industry. They view positively the emergence of niche banking, the move toward commercial banks offering investment banking services, the shift toward fee-based services and bank mergers and acquisitions.

In addition to these findings, the study documented a number of changes in corporations' relationships with their financial service providers:

- Concerns about bank risk are on the rise. To reduce their exposure, companies are setting activity limits and changing banking relations. At the Quaker Oats Co., Chicago, excess cash and pension fund investments are diversified among banks, insurance companies and other financial institutions. The size of placements per individual institution is decided on the basis of credit ratings.
- Despite the trend toward companies obtaining funds directly from investors at less cost than bank financing, companies still tend to use investment banks for debt and equity placements, mergers and acquisitions and restructuring. They turn to commercial banks for cash management, foreign exchange trading and deposits.
- The most important selection criteria for commercial banks are efficiency and quality of services, competitive pricing and responsiveness. For investment banks, responsiveness is first followed by innovation and efficiency.
- Companies still see the key role of banks to be ensuring the availability of funds, facilitating trade and providing depository services.
- Although the chief financial officers almost unanimously support the concept of relationship banking, they don't believe strong relationships must be at the expense of competitive pricing. Rather, they expect the personal service of traditional relations to be coupled with the competitive pricing and high-quality services of transaction-oriented banking.

When companies change banks, financial executives are motivated by either the need to use their inhouse finance staff more effectively by focusing on a smaller number of financial institutions or the need to obtain the best possible expertise and assistance in coping with complex markets.

Corporations are more likely to increase the number of their foreign banks than their domestic ones, largely because of an expanding international presence and the increased international profile of European and Japanese banks. ■

Marlene Givant Star

Expanding duties pull financial executives up the salary ladder

Revenue of $10 billion or more

Company	Top financial officer / salary / other compensation	Chief executive / salary / other compensation
Amoco	J.W. Cozad / $550,307 / $450,000	R.M. Morrow / $777,540 / $500,000
Atlantic Richfield	Ronald Arnault / $843,222	Lodwrick Cook / $1,633,529
Bell Atlantic	Philip Campbell / $384,000	Thomas Bolger / $694,500
Boeing	H.W. Haynes / $617,855	Frank Shrontz / $846,323
Chrysler	R.S. Miller / $444,951	Lee Iacocca / $865,673
CIGNA	James S. Stewart / $791,000	Robert D. Kilpatrick / $1,587,000
Dow Chemical	Enrique Falla / $484,279	Frank Popoff / $1,039,539
Goodyear	Oren Shaffer / $291,000 / $161,255	Robert Mercer / $900,000 / $379,345
IBM	F.A. Metz / $689,513	J.F. Akers / $1,525,500
ITT	M. Cabell Woodward Jr. / $1,034,484	Rand Araskog / $2,233,974
Lockheed	V.N. Maragino / $676,904	L.O. Kitchen / $1,145,746
Mobil	James Q. Riordan / $987,833	Allen Murray / $1,609,044
PepsiCo	Robert G. Dettmer / $572,459	D. Wayne Calloway / $1,364,688
Philip Morris	Hans Storr / $355,000 / $318,499	Hamish Maxwell / $762,500 / $897,727
United Technologies	John Rolls / $347,291 / $220,000	Robert Daniell / $697,916 / $450,000
USX	W. Bruce Thomas / $522,895 / $375,000	David Roderick / $961,028 / $1,000,000
Revenue of $1 billion to $10 billion		
Aluminum Co. of America	James Wirth / $462,668	Paul O'Neill / $1,112,876
American Brands	Arnold Henson / $535,000 / $150,000	William Alley / $1,025,692 / $325,692
Armco	W.B. Askins / $414,707	R.E. Boni / $678,404
Ashland Oil	Paul Chellgren / $301,081 / $217,545	John Hall / $611,554 / $386,298
Bethlehem Steel	Gary Millenbrach / $262,500	Walter Williams / $505,000
Capital Cities/ABC	Ronald Doerfler / $673,200	Thomas Murphy / $907,000
Carter Hawley Hale	John M. Gailys / $445,008	Philip Hawley / $665,004
CBI Industries	G.L. Schueppert / $233,061	W.A. Pogue / $470,903
Centel	Eugene Irminger / $262,500	John Frazee / $638,750
Columbia Gas	Robert A. Oswald / $210,700	John H. Croom / $500,000
Control Data	John Buckner / $325,800	Robert Price / $862,400
Dun & Bradstreet	Richard F. Schmidt / $459,923	Charles W. Moritz / $1,119,635
EG&G	John R. Dolan / $324,234	John M. Kucharski / $685,110
Enserch	S.R. Singer / $305,000	W.C. McCord / $650,000
Federal Paper Board	Quentin J. Kennedy / $333,439 / $394,850	John R. Kennedy / $817,112 / $965,210
Fluor	Robert L. Guyett / $337,380	David S. Tappan Jr. / $898,827
General Re	Ronald Anderson / $325,167	Ronald Ferguson / $979,351
Harcourt Brace Jovanovich	John Beradi / $301,712	William Jovanovich / $2,922,878
Hercules	Arden Engebretsen / $374,308	Fred Buckner / $419,945
Ingersoll-Rand	C.H. Folley / $712,950	T.H. Black / $787,617
Inland Steel	Theodore Myers / $365,000	Frank Luerssen / $940,000
Kerr-McGee	John Linehan / $186,963	F.A. McPherson / $420,773
Litton Industries	Joseph T. Casey / $655,332	Orion L. Hoch / $997,227
Lyondell Petrochemical*	Dan F. Smith / $312,317	Bob G. Gower / $677,568
Maytag	Jerry Schiller / $350,695	Daniel Krumm / $898,407
Merrill Lynch	Courtney Jones / $1,000,000	William Schreyer / $2,500,000
Pan Am	Richard Francis / $231,844	Thomas Plaskett / $494,000
Pennsylvania Power	C.E. Russoli / $192,517	R.K. Campbell / $356,804
Santa Fe Southern Pacific	Orval Adam / $302,750	Robert Krebs / $600,000
Schlumberger	A. Lindenauer / $477,000	D.E. Baird / $1,025,000
Sherwin-Williams	T.R. Miklich / $254,404	J.G. Breen / $745,896
Squibb	Anthony Ruggiero / $575,000	Richard M. Furland / $1,541,676
Tyson Foods	Gerald Johnston / $204,078	Don Tyson / $2,568,262
Revenue of less than $1 billion		
Cincinnati Bell	Dennis Sullivan / $400,433	Dwight Hibbard / $671,312
Fairchild Industries	Edward Murchie / $271,312	Emanuel Fthenakis / $663,390
Federal Mogul	R.W. Hague / $320,650	T.F. Russell / $1,002,247
Mattel Toys	Charles J. Lee / $349,771	John W. Amerman / $563,860
Newmont Mining	E.P. Fontaine / $352,070	G.R. Parker / $832,465

* for the three months the company has been public

Source: Proxy statements

Modern CFO

Continued from page 31

ening internal reporting and control systems.

As a result of their expanded role, financial officers increasingly are delegating their traditional tasks to treasurers and controllers. Chief financial officers now tend to be involved in transactions like mergers and acquisitions, corporate restructurings and equity placements, while other transactions like bond and money market issues tend to be handled by treasurers or assistant treasurers, according to David J.P. Meachin, managing director of Merrill Lynch investment banking, who was quoted in the study.

In a worldwide environment of mounting takeover pressures, many top financial executives continually reassess operating units to ensure their value is fully realized.

"Corporate management must ensure that its company is worth as much whole as it would be if disassembled by a raider," D.R. Kayser, chief financial officer of Allied-Signal Inc., Morristown, N.J., said in the study.

In trying to protect the company's assets, the financial executive evaluates the quality of different types of financial products in relation to corporate strategies. For example, Olivetti, the Italian computer manufacturer, no longer is satisfied with the traditional treasury approach to hedging foreign exchange exposure. Instead, it focuses mostly on how the movement in foreign exchange rates will affect operations, according to Angelo Fornasari, vice president-finance.

Chief financial executives have full responsibility for management information systems/information management; shareholder relations and economic planning and forecasting. In addition, a majority of those surveyed have input into decisions in corporate development, strategic planning, investment/divestment strategies, mergers and acquisitions, corporate administration and government relations.

The study also highlighted a number of differences between the executives' responsibilities at U.S., all North American and foreign multinationals. For instance, treasurers of North American companies tend to have more direct responsibilities than their European and Asian counterparts, and financial planning staff members report directly to the chief financial officer more often in Asia and Europe than in the United States.

North American companies also place more emphasis on performance measurement than their European and Asian counterparts.

Reflecting the trend toward companies being managed on a worldwide basis, the corporate finance area has become highly centralized. Sixty percent of the companies have centralized the corporate finance function as opposed to just more than 20% that are decentralized. During the next few years, 25% of the respondents plan to centralize finance further.

Of the respondents, 81.2% are taking a more profit-oriented approach to finance than they did in the past. For some companies, that means positioning the treasury as a profit center with foreign exchange and borrowing/investing activities structured to generate income from both internal and third-party transactions. For others, a profit center orientation entails close cooperation between finance and operating units to meet explicit financial targets.

Innovative financial management is being used to boost the bottom line of corporations. Chief financial officers recognize internal funds are the cheapest source of capital because there are no risk premiums to be paid to lenders or investors and no dilution of equity and potentially restrictive bond covenants. When external funds are needed, the executives shop around for the best rates from the swelling ranks of international financial service providers. To lower the cost of external financing, the executive strives to improve his company's financial position or credit rating.

The respondents balance the management of assets and liabilities and each of those functions is a balancing act in itself. In managing liabilities, the executives recognize inadequate leverage decreases the tax shield for corporate earnings through underutilization of tax-deductible interest payments, the survey found. Too little leverage may also generate substantial free cash flows, which — if they are not distributed to shareholders — become excessive, leading to suboptimal investment decisions and complacency among operating units. This lowers the value of shares, breeds shareholder discontent and invites a takeover, according to the report. To manage assets, a company must have effective strategic planning and budgeting and an efficient performance from the operating units. ■

Japanese 'shelf' filed

NEW YORK — American Express Co. has established a shelf registration that will allow it to issue $264 million in debt securities in Japan.

It is the first non-government-affiliated foreign corporation to obtain a Japanese shelf registration. The company began exploring the idea of a shelf registration last fall to gain a foothold in the wealthy Japanese marketplace and make its debt accessible to local investors (*Pensions & Investment Age*, Nov. 28).

The company currently is not preparing a specific debt offering in conjunction with the shelf registration. Its was filed with Japan's Ministry of Finance on March 31 and took effect April 8.

It is estimated that less than 10 American companies would be eligible to file a shelf registration now. The system, which became effective Oct. 1, allows issuers to sell bonds within a pre-set time period without prior approval from the Ministry of Finance. ■

Money movers is a section that details the appointments of money management firms for tax-exempt funds.

The money movers section appears in each issue of *Pensions & Investment Age*.

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PORTFOLIO MANAGEMENT

Timber analysis perplexing

By F. Christian Zinkhan

The lack of a recognized performance standard for timberland presents a lingering obstacle to analyzing the appropriateness of the investment in a portfolio.

As a result, looking at timberland in the context of modern portfolio theory has been inhibited; one is less confident analyzing timberland's performance in the context of a portfolio of a variety of assets.

By a number of measures, timberland returns vary considerably. As an investment in itself, timberland's returns, as shown in the table, go from attractive to unattractive, depending on the index, in contrast to some other asset classes, unadjusted for risk. In the 10 years ended 1987, the latest year for which data on all three timberland indexes is available, the Standard & Poor's 500 Stock Index returned a compound annual 15.3%; the Shearson Lehman Hutton Government/Corporate Bond Index, 10.3%; and the FRC Property Index, 12.9%.

But it is in the context of a portfolio, as a benefit of diversification across asset classes, that timberland analysis holds the most interest for institutional investors.

A recent study by Thomas G. Harris Jr., professor of industrial management, and Christopher E. DeForest, research coordinator, both in the School of Forest Resources of the University of Georgia, found less than 3% of pension funds surveyed own timberland. The study uncovered a variety of perceived disadvantages associated with timberland, including illiquidity, riskiness and lack of information about it as an investment. But perception may not be reality.

Illiquidity can be reduced, although not eliminated, by such arrangements as pooled funds.

Timberland's riskiness should be viewed in terms of a portfolio with other assets, not as an investment by itself. A portfolio perspective can minimize and perhaps transform the perceived volatility into a benefit.

According to a recent study by Southeastern Center for Forest Economics Research, Research Triangle Park, N.C., the addition of timberland to a portfolio of financial assets reduced volatility more than 40%. Even in a portfolio containing commercial real estate and farmland, the addition of timberland reduced volatility more than 20%, according to another unpublished study.

One of timberland's biggest informational deficiencies is the lack of a generally accepted index, such as S&P's for stocks and FRC's for commercial real estate.

Although several timberland indexes have been developed, their use primarily has been limited to the firms that prepare them. First Wachovia Investment Management, Atlanta, compiles the First Wachovia Timberland Index; Forest Investment Advisors, Atlanta, the Southern Timberland Index; and John Hancock Mutual Life Insurance Co., Boston, the John Hancock Timberland Index.

A well-recognized timberland index would enhance investor confidence in analyzing the investment and serve as the basis for furthering study in a portfolio context.

Following are potential applications of such a widely used index.

Gauging the market

What was the return on timberland last year? How is it doing now? What's the forecast for next year? A timberland index can ad-

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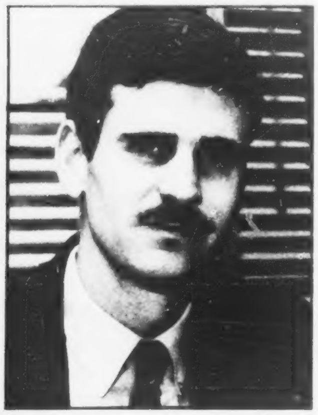


Mr. Zinkhan is chairman of the department of financial planning and accounting at Lundy-Fetterman School of Business, Campbell University, Buies Creek, N.C.

How well did timberland perform?

	Timberland indexes			FRC Index
	First Wachovia	FIA	John Hancock	
1988	5.0%	NA	NA	1.7%
1987	16.4	11.9%	14.8%	5.3
1986	3.7	−0.2	−2.2	6.3
1985	−6.3	−10.8	−3.5	9.8
1984	11.2	4.1	−8.1	13.1
1983	15.1	16.9	−10.8	13.2
1982	16.0	0.1	−10.7	9.4
1981	18.2	18.1	5.4	16.8
1980	28.3	0.6	22.3	18.1
1979	7.7	15.6	34.4	20.7
1978	16.4	27.7	25.2	16.0
Compound annual return (1978 - '87)	**12.3%**	**7.8%**	**5.6%**	**12.9%**
Average standard deviation (1978 - '87)	**9.4%**	**11.5%**	**16.4%**	**5.1%**

The lack of a standard index for timberland investments makes it difficult for investors to analyze the asset class.

BOOK REVIEW

Author takes mystery out of GIC investments

By Fred Williams

For years, guaranteed investment contracts have been considered safe, sound and secure passive investments — but Kenneth L. Walker contends that idea should be reconsidered.

The GIC market has grown to nearly $150 billion, even though few outside the insurance industry have a clear picture of exactly how insurance companies issue and price these "safe" investment vehicles. The arcane world of the insurance business has been foreign, and to a large extent remains so.

But the GIC market has become a major factor in the defined contribution area; GICs are one of the most popular asset categories in participant-directed plans. About 30% of all assets in defined contribution plans are now invested in GICs.

The rush to GICs placed added emphasis on insurance company credit quality analysis, pricing mechanisms, contract negotiation, capacity problems and a host of other issues.

Mr. Walker, president of T. Rowe Price Guaranteed Asset Advisers Inc., Richmond, Va., and a nationally known expert in the field of GIC portfolio management, has drawn on his extensive background to shed some light on GICs and the insurance industry in his book, the first complete reference book on the investment contracts.

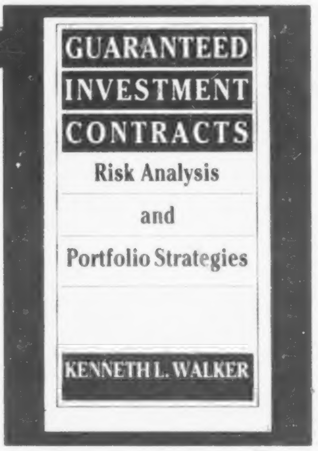
The need for such a work has been developing in tandem with the GIC marketplace. But this carefully done — yet less than exhaustive treatment — doesn't completely fill that need. The reader can't help but wish Mr. Walker had provided a more detailed and exact interpretation.

While the book covers a lot of material in very few pages, there are some areas that could have benefited from additional insight from an author with Mr. Walker's expertise. For instance, the section on credit quality of insurance carriers could have been expanded. (There are nearly 150 insurance companies nationally under liquidation or receivership.) The book contains 17 pages of general background information on the insurance industry and only six on GIC pricing by carriers.

As Mr. Walker notes in his chapter on defining GICs, "the use of GICs in 401(k) plans could be the subject of an entire chapter," and perhaps should have been.

But while this seminal work on GICs may leave you thirsting for more, it is a valuable addition to

Continued on page 48



Guaranteed Investment Contracts: Risk Analysis and Portfolio Strategies (Dow Jones-Irwin, Homewood, Ill.; 180 pages; $47.50)

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Timberland

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dress these questions. Fundamental analysis, trend analysis and asset allocation obviously depend on an accurate index as a critical data source.

Modeling

The Capital Asset Pricing Model, among other asset pricing models, requires certain data to value risky assets. Without them, one cannot select investment alternatives, implement portfolio strategies and tactics or evaluate portfolio management performance. The CAPM focuses on market risk (that is, risk that can't be eliminated by diversification) and requires estimation of beta, a measure of an investment's market risk.

Using an existing timberland index, Southern Timberland, a recent study estimated timberland's beta to be −0.21.

One implication of a negative beta is the investment's required rate of return is less than the yield of Treasury bills, a risk-free return. As a result, the addition of an investment possessing a negative beta can reduce the risk of a diversified portfolio.

A well-recognized timberland index would enhance portfolio managers' confidence in estimating beta.

Benchmark

Did your timberland investment manager beat the timberland market last year? What return did timberland earn relative to stocks? Such questions cannot be answered confidently without a widely accepted index.

Similar to financial assets, the evaluation of timberland investment performance should include consideration of a relevant measure of risk.

Many timberland investment professionals agree a well-recognized timberland index is needed, but its design is not without controversy.

Three of the issues associated with the design of a stock index are the sample's components, their weighting and the method of calculating the average (geometric or arithmetic).

The design of a timberland index must address not only these issues, but also two others. Should the index be based on a hypothetical timberland fund or the performance of a sample of actual tracts? Should land value data be based on appraised values or prices from actual transactions.?

Some academicians and at least one firm, Forest Investment Associates, developed hypothetical timberland funds to estimate historical timberland returns. These funds reflect timber growth models and are generally created with the assumption that forests are perfectly regulated so the total volume of standing timber remains constant over time. Perfect regulation results in an annual harvest equal to the annual growth. To generate a timberland index, a fund must also incorporate data on management expense, stumpage price, raw land value, property tax and forest management practice assumptions.

An option is to follow closely the methodology adopted by the Frank Russell Co., Tacoma, Wash., and the National Council of Real Estate Investment Fiduciaries, New York, in the FRC Property Index of commercial real estate. Cooperating timberland owners could supply net operating income and property values to the producer of the index.

But accuracy comes at a high cost, the price of assembling an index with a large number of transactions. A hypothetical fund, however, may sacrifice accuracy by using only a sampling of sales.

The second issue — whether to base the property value changes on appraisals or actual transactions — is also faced by the designers of commercial real estate indexes.

Although transactions-based data certainly provide accuracy, the volume and representativeness of such data can be limited.

Appraisals, on the other hand, offer an artificial perspective of real values, on a risk-adjusted basis. As academic literature has noted, appraisals unrealistically smooth actual volatility of returns. ■

Utility fan of equity

But keeps fixed-income for its trust

By Curtis Vosti

ROSEMEAD, Calif. — Southern California Edison Co. presents an interesting study of the fledgling nuclear decommissioning trust industry.

Although it is part of an industry push to allow equities in tax-qualifying trusts, the Los Angeles-area utility so far has declined to use equities for its non-qualified trusts, in which equity investments are allowed.

Also, the proposed merger with San Diego Gas & Electric Co., if successful, would necessitate the decommissioning trusts of the two utilities to be combined, the first time that issue will be faced by the nascent industry.

Nuclear decommissioning trusts are being established to pay for the decontamination and demolition of nuclear facilities at the end of their useful lives, about 40 years. The establishment of these trusts, which must be in place by June 30, 1990, has been the subject of actions by Congress, the Internal Revenue Service, the Nuclear Regulatory Commission and other federal and state agencies.

SoCal Edison has ownership interests in six nuclear plants.

In 1986, the IRS ruled that contributions made after 1984 to trusts for new facilities could be tax deductible if invested in so-called Black Lung investments, which include federal, state or municipal bonds and certain bank or credit union certificates of deposit.

For utilities with nuclear plants on line before 1984, only a percentage of future contributions -- representing the plant's useful life after 1984 — would be deductible. The portion of the trust representing the part of the plant's useful life before 1984, as well as any contributions before 1984, is not qualified, and can be invested in equities.

State utility commissions, however, have the power to set their own regulations and the California Public Utilities Commission allows only up to 60% of the non-qualifying trusts to be invested in equities.

The attraction of equity investments for nuclear trusts has been touted by consultants, money managers and industry officials, who are pushing to change federal law to allow equities in qualified trusts. It is argued that equities' higher real rate of return would help cushion the industry against future escalations in costs that could make current decommissioning estimates obsolete, and could lessen considerably the contributions needed, which are paid by utility ratepayers.

Members of SoCal Edison's nuclear trust investment committee are on the utility task force seeking the changes.

Despite the government allowances and its committee's activism, SoCal Edison chose to omit equity investments when it set up two non-qualifying trusts in February 1988.

Uneasiness about the equity markets in the wake of the 1987 market crash led to the decision, according to Doug Ertel, financial analyst. Non-qualified contributions to SoCal Edison's trusts comprise about 13% of the utility's contributions, about $1.04 million out of $8.09 million monthly, Mr. Ertel said.

Equity investment is "just something that hasn't happened yet. Last year, a lot of people were concerned about the equity market," Mr. Ertel said.

He's sure, however, the matter of equity investments will come up when the utility's investment advisory committee meets in May.

"It's a difference of a policy decision vs. a strategic decision," Mr. Ertel said. "This was not a policy decision. It was more of a strategic decision at the time. Bonds were relatively more attractive."

Bonds also are attractive to qualified trusts. A 1988 survey by National Investment Services of America, Milwaukee, showed even if the Black Lung restrictions on qualified trusts were removed, most utilities' would maintain their reliance on tax-exempt bonds.

The proposed merger with San Diego Gas & Electric is another matter.

If the merger is approved — and it faces opposition from a high-profile citizens group — the nuclear decommissioning trusts would be combined.

That potentially tricky problem would be eased somewhat by SoCal Edison's ownership share in all three of San Diego Gas & Electric's nuclear plants. The utilities used the same costs estimates in its funding studies, and also have the same trustee, Harris Trust and Savings Bank of Chicago.

"The bigger problem is the oversight committees are going to have to be merged," said Walter Kowalczyk, vice president of Harris Trust.

Nancy Ross, supervisor of financing and investment for the San Diego utility, said the combination of the two nuclear trusts could be sticky when it comes to the area of investment managers and policy. San Diego Gas & Electric now has only one manager, while SoCal Edison has two.

GIC mystery

Continued from page 47

financial publishing. Nowhere else can investors find a ready source of information on emerging techniques for active GIC management. Here financial executives will find a straightforward explanation of the benefits and risks of using GICs to invest retirement plan assets and a source of useful information on achieving optimal returns on GIC portfolios.

The two chapters on risks to GIC buyers and issuers as well as interest crediting and managing a GIC portfolio alone make the book worthwhile.

The theme throughout the book is that GICs are a fixed-income alternative and should be treated as any other fixed-income instrument. He also discusses insurance company statutory accounting and regulatory issues, issues sometimes overlooked by GIC buyers.

"Statutory accounting differs significantly from generally accepted accounting principles and produces an entirely different picture of the financial status of the company," said Mr. Walker. "Statutory accounting produces a distortion of the true net worth of the insurer. The assets of the company do not reflect the true market value. Bonds, for example, are reported at amortized cost value. Should the company ever be forced to liquidate all or a part of these assets, the liquidation value could be much different from the value the company carried on its books."

The purpose of statutory accounting is to show the degree of solvency of a carrier. Many assets are shown below market value or are excluded entirely. For example, prepaid expenses are not considered valid assets.

The insurance industry, as Mr. Walker points out, is in the liability management business. Each contract or policy it writes must be managed so as not to jeopardize the company's net worth, giving rise to a spectrum of investment and interest rate management strategies.

Some insurers deliberately mismatch interest rate risks with credit risks in order to generate higher gross investment rates.

"The greater the duration mismatch, the greater the gamble . . . This does not mean the insurer must have enough net worth to survive a losing bet. If the insurance company does not have sufficient resources, there is a residual probability . . . that the plan sponsor will have to provide the needed funds," said Mr. Walker.

The book contains many illustrative tables and graphs to make the text more meaningful. There is a sample contract along with verbatim wording from the Securities and Exchange Commission's exemptive letter on GICs and Rule 151, which represents the SEC's clarification of the status of certain annuity and life insurance products, along with historical data on GIC rates dating from 1982.

For GIC buyers, the chapter on contractual issues could well prove to be the most important in the book.

He provides a surprising revelation that "there is a lack of uniformity among the insurance companies in contractual issues. There is often a lack of uniformity within the same insurance company with any particular contract's terms depending on the amount of deposit, frequency of withdrawals, and type of client."

He offers a detailed review of a typical contract and a seven-point plan for negotiating a contract.

In his conclusion, Mr. Walker states the reader should have a better understanding of GICs — and that is certainly true.

Most financial texts treat GICs superficially at best, or offer academic or self-serving approaches to guaranteed products. This book is essential reading for those who already invest in GICs and certainly for anyone contemplating a GIC purchase.

It will not make one an instant GIC portfolio manager, but provides for the first time in one volume the best source for a better understanding of an asset category of growing importance to the employee benefits industry. ■

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STATISTICALLY SPEAKING

Narrow spreads continue for GICs

By Fred Williams

Yields on insurance company guaranteed investment contracts moved into double digits during the first quarter, while quality spreads over Treasury instruments continued to narrow.

"You could buy contracts 25 to 30 basis points over Treasuries in the first quarter, whereas at the end of the year spreads were about 50 basis points. Even though rates increased, they didn't increase as much as comparable Treasuries and corporates," said Tom Marthaler, portfolio manager at CTT Investment Management Group, Chicago.

The narrowing of spreads has been an ongoing phenomenon for nearly a year and some analysts believe spreads have reached their narrowest point for some contracts.

"There was a point at which some companies were quoting rates lower than comparable Treasuries," said Mr. Marthaler. "People were giving serious consideration to other alternatives such as bank investment contracts."

BIC spreads in the three- to five-year maturity range were yielding 15 to 25 basis points more than GICs for comparable credit quality, he said.

John Knight, president of Lamberson Knight GIC Inc., a Short Hills, N.J., GIC brokerage, said: "We saw a large increase in cash flow to GICs, particularly in the three- to five-year area. Most of the short-term money, one to two years, went to BIC products."

Mr. Knight said the continued narrowing of spreads also took some pressure off the periodic capacity problems experienced by insurance carriers. "For the first time, there was no capacity problem. . . . When spreads are wider, there are capacity problems because insurance companies have more problems finding investments for these assets," he said.

Gary Mink, president of the Mink Organization, a Rochester, N.Y., GIC consultant and brokerage, said the high GIC yields probably will continue through July because of continued pressure on interest rates by the Federal Reserve Board.

"You don't want to wait until the year-end rush to buy GICs. Plan sponsors should buy their contracts by May or June. Anytime you can get 10% plus is a good time to buy," said Mr. Mink.

Insurance company rate quotations on representative five-year, single-deposit, simple-interest, $1 million GICs as of March 30 and Dec. 29, as provided by Lamberson Knight and GIC Inc a Beaverton, Ore., GIC manager, are:

- Allstate Life Insurance Cos., Northbrook, Ill.: March 30, 9.63%; Dec. 29, no quote.
- American United Life Insurance Co., Indianapolis: 9.69%; 9.4%.
- Canada Life Assurance Co., Toronto: 9.91%; 9.43%.
- CNA Insurance Co., Chicago: 9.64%; 8.94%.
- Confederation Life Insurance Co., Atlanta: 9.95%; 9.47%.
- Connecticut Mutual Life Insurance Co., Hartford, Conn.: 9.7%; 9.5%.
- Continental Assurance Co., Chicago: 9.79%; 9.09%.
- Crown Life Insurance Co., Toronto: 9.99%; 9.25%.
- Great West Life Assurance Co., Denver: 9.59%; 9.08%.
- Executive Life Insurance Co., Los Angeles: 9.98%; no quote.
- Great West Life Assurance Co., Denver: 9.6%; 9.08%.
- Hartford Life Insurance Co., Hartford, Conn.: 9.89%; 9.39%.
- Home Life Insurance Co., New York: 9.68%; 9.59%.
- John Hancock Mutual Life Insurance Co., Boston: 9.79%; 9.59%.
- Life Insurance Co. of Georgia, Atlanta: 9.9%; 9.34%.
- Life Insurance Co. of Virginia, Richmond: 9.72%; 9.32%.
- Lincoln National Pension Insurance Co., Fort Wayne, Ind.: 9.93%; 9.36%.
- Massachusetts Mutual Life Insurance Co., Springfield: 9.85%; 9.14%.
- Minnesota Mutual Life Insurance Co., St. Paul: 9.99%; 9.68%.
- Mutual Benefit Life Insurance Co., Newark, N.J.: 9.8%; 9.37%.
- Mutual of New York, New York: 9.77%; 9.37%.
- New England Mutual Life Insurance Co., Boston: 9%; 9.21%.
- New York Life Insurance Co., New York: 9.9%; 9.2%.
- Northwestern National Life Insurance Co., Minneapolis: 9.92%; no quote.
- Ohio National Life Insurance Co., Cincinnati: 10%; 9.5%.
- Pacific Mutual Life Insurance Co., Newport Beach, Calif.: 9.24%; 8.9%.
- Pan American Life Insurance Co., New Orleans: 9.89%; 9.49%.
- Penn Mutual Life Insurance Co., Philadelphia: 10.02%; 9.57%.
- Phoenix Mutual Life Insurance Co., Hartford: 9.66%; 9.38%.
- Principal Mutual Life Insurance Co., Omaha, Neb.: 9.56%; no quote.
- Provident Mutual Life Insurance Co., Philadelphia: 9.76%; 9.41%.
- Provident National Assurance Co., Chattanooga, Tenn.: 9.51%; 8.54%.
- Southwestern Life Insurance Co., Dallas: 9.89%; 9.47%.
- State Mutual of America, Worchester, Mass.: 9.75%; 9.4%.
- Transamerica Life Insurance Co., Los Angeles: 9.99%; 9.19%.

William M. Mercer Meidinger Hansen Asset Planning, Chicago, surveys insurance companies for rate quotations and provided the following summary of various bullet GICs for March:

- Three-year, $1 million, compound: high, 10.05%; low, 8.685%; average, 9.627%.
- Three-year, $1 million, simple: high, 10.09%; low, 8.685%; average, 9.635%.
- Five-year, $1 million, compound: high, 10.12%; low, 9%; average, 9.73%.
- Five-year, $1 million, simple: high, 10.11%; low, 9%; average, 9.75%.
- Seven-year, $1 million, compound: high, 10.05%; low, 9%; average, 9.7%.
- Seven-year, $1 million, simple: high, 10.06%; low, 9%; average, 9.742%.
- Three-year, $5 million, compound: high, 10.17%; low, 8.887%; average, 9.727%.
- Three-year, $5 million, compound: high, 10.17%; low, 8.887%; average, 9.727%.
- Three-year, $5 million, simple: high, 10.17%; low, 8.88%; average, 9.72%.
- Five-year, $5 million, compound: high, 10.22%; low, 9%; average, 9.787%.
- Five-year, $5 million, simple: high, 10.22%; low, 9%; average, 9.8%.
- Seven-year, $5 million, compound: high. 10.13%; low, 9%; average, 9.746%.
- Seven-year, $5 million, simple: high, 10.09%; low, 9%; average, 9.79%.

Dietrich & Associates, a Blue Bell, Pa., GIC brokerage, provided the following rate spread data between a $1 million, five-year, simple-interest GIC and the average Treasury security of the same maturity during the first quarter:

Jan. 3: GIC, 9.6%; T-bill, 9.21%.
Feb. 1: GIC, 9.5%; T-bill, 8.98%.
March 1: GIC, 9.75%; T-bill, 9.37%.

Mercer Meidinger Hansen also surveys banks for rate quotations on guaranteed instruments. Rate quotations for one- and three-year bullet BICs for March were:

- One-year, $1 million, compound: high, 10.93%; low, 9.32%; average, 10.14%.
- One-year, $1 million, simple: high, 10.93%; low, 9.8%; average 10.27%.
- Three-year, $1 million, compound: high, 10.53%; low, 9.73%; average, 10.09%.
- Three-year, $1 million, simple: high, 10.53%; low, 9.34%; average, 10.134%.
- One-year, $5 million, compound: high, 10.95%; low, 9.32%; average, 10.14%.
- One-year, $5 million, compound: high, 10.95%; low, 9.68%; average, 10.291%.
- Three-year, $5 million, simple: high, 10.55%; low, 9.73%; average, 10.108%.
- Three-year, $5 million, compound: high, 10.55%; low, 9.86%; average, 10.227%. ▪

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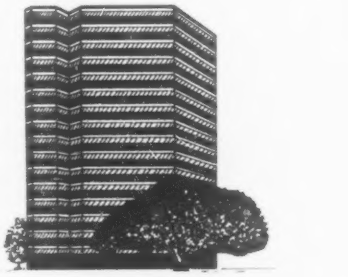

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Sector bounces back

By Trudy Ring

KANSAS CITY, Mo. — Stocks sensitive to interest rates were the best performers of the first quarter, while Yankee and foreign bonds led the fixed-income market, according to DeMarche Associates Inc.

Interest-sensitive stocks had a price gain of 8.4%, rebounding from being the worst-performing sector the previous quarter at −0.9%. The sector consists mainly of financial services companies and utilities.

The Standard & Poor's 500 Stock Index returned 6% on a price-only basis in the first quarter and 7.1% on a total return basis (including dividends). All stock figures, except where noted, are price only.

In the 12 months ended March 31, the interest-sensitive sector gained 18.3% in price, compared with 13.2% for the S&P 500. The index had total return of 18.1% in this period.

Energy stocks were the second-best performing sector in the three months, gaining 8.1%. For the 12 months, they were up 8.5%. The sector includes domestic and international oil companies and oil service and equipment companies.

Stocks sensitive to consumer spending gained 8% in the quarter. These stocks, which are in food and beverage, tobacco, media, retail, lodging and restaurant companies, gained 20.9% in the 12 months.

Basic industry stocks gained 3.8% in the quarter and 9.8% for the year. This group covers the metals, automotive, transportation and building materials industries.

Technology stocks were last for the quarter, gaining 2.4%. The sector includes aerospace, drug, electronics and office equipment companies. The sector gained 6% for the 12-month period.

The 10 best-performing industries in the quarter were textile products and apparel, up 18.2%; air transportation, up 17%; oil service and equipment, up 16.5%; tobacco, up 14.5%; domestic oil and banks, both up up 13.5%; insurance, up 12.8%; beverages, up 12.3%; and aerospace and consumer spending/miscellaneous, both up 12%.

The 10 worst-performing industries were office equipment, down 6.8%; trucking, down 6.7%; automotive — cars and trucks, down 1.9%; electronics, down 1%; electric utilities, down 0.8%, electric equipment, up 0.2%; general machinery, up 0.7%; paper, up 1%; consumer durables, up 1%; and auto parts and accessories, up 1.5%.

The top 10 individual stocks were **Pan Am Corp.**, up 116.7%; **Texas Eastern Corp.**, up 81.3%; **Coleman Co. Inc.**, up 79.8%; **NWA Inc.**, up 64%; **Tonka Corp.**, up 60%; **Emery Air Freight Corp.**, up 55%; **Champion Spark Plug Co.**, up 54.2%; **Beverly Enterprises Inc.**, up 44%; **BankAmerica Corp.**, up 38.3%; and **Handleman Co.**, up 37.3%.

In addition to looking at the market by economic sectors, DeMarche analyzes stock performance by quality, growth and yield. As ranked by quality, based on several balance sheet variables, stocks rated average had the quarter's best gain, 7.3%.

As ranked by growth characteristics, stocks with low growth had the best return, 8.4%. As categorized by yield, stocks in the third yield quartile gained the most, 7.3%.

In the bond market, Yankee and foreign issues were the best economic sector, returning 1.6% in the quarter. DeMarche's Pension Fund Bond Index of more than 6,000 issues returned 1%. All bond figures are total return.

Yankee and foreign bonds returned 6.8% in the year ended March 31, while the index had 6.2%.

Utility and U.S. government bonds each were up 1.1% in the quarter. Utilities returned 7% for the year, while governments gained 6.1%.

Bonds in the industrial, financial and telephone sectors all returned 1% for the quarter. For the 12-month period, industrials gained 6.2%; financial issues, 5.7%; and telephone bonds, 5.4%.

Canadian bonds had the quarter's poorest return, 0.8%. For the year, they returned 6.3%.

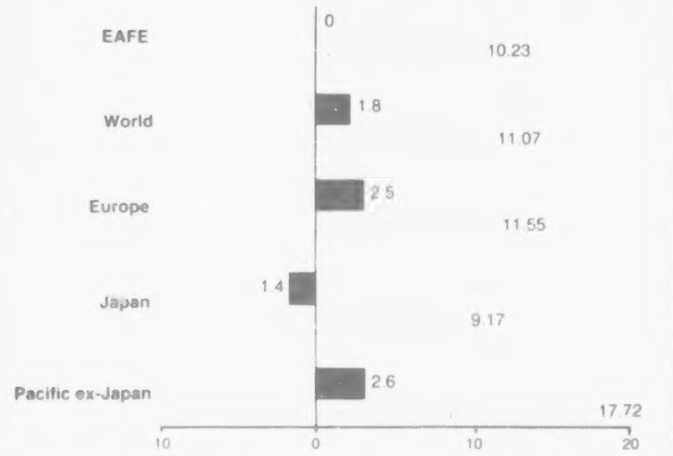
As ranked by quality, bonds rated BAA and AAA performed slightly better than other sectors, with each returning 1.1% in the quarter, compared with 1.1% for AA and A bonds.

Bonds with maturities of 10 to 20 years and 20 years or more both returned 1.1% in the quarter, compared with 0.9% for those with maturities of five to 10 years and 1% for those with maturities of one to five years.

As measured by quality and maturity combined, bonds rated BAA with maturities of 20 years or more had the quarter's best return, 1.7%. ▪

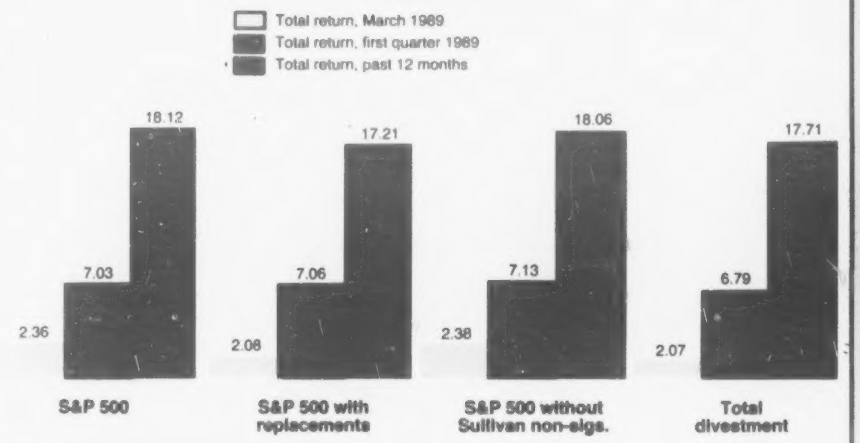
STATISTICALLY SPEAKING

Morgan Stanley Capital International worldwide indexes



Source: Morgan Stanley Capital International, New York
Indexes are in U.S. dollar terms without dividends reinvested

South Africa Free Index

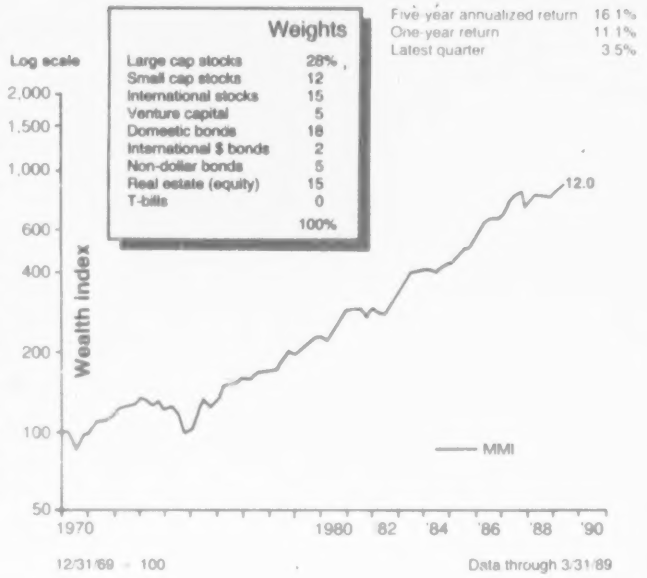


S&P 500 with replacements: replaces a South Africa-related company with next largest company in the industry. **S&P 500 without Sullivan non-signatories:** excludes 6 companies, no replacements. **Total divestment:** eliminates all companies with South Africa involvement, no replacements.

Source: Wilshire Associates, Santa Monica, Calif.

Multiple Markets Index

The Multiple Markets Index is a benchmark for total portfolio returns. It is composed of eight asset classes used by retirement plan executives; it is calibrated to reflect the same degree of risk of the typical pension portfolio; it uses passive fixed policy weights; and it represents the individual asset classes by the broadest and most complete market return data available.



Weights	
Large cap stocks	28%
Small cap stocks	12
International stocks	15
Venture capital	5
Domestic bonds	18
International $ bonds	2
Non-dollar bonds	5
Real estate (equity)	15
T-bills	0
	100%

Five-year annualized return	16.1%
One-year return	11.1%
Latest quarter	3.5%

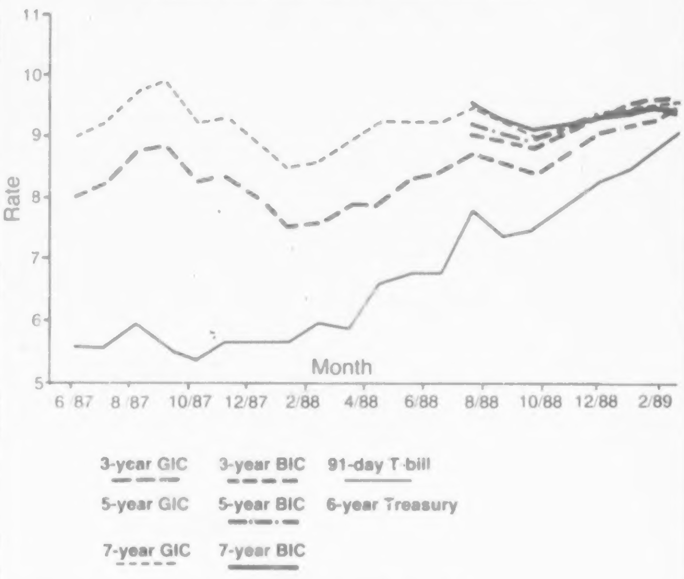
12/31/69 = 100

Data through 3/31/89

Source: First Chicago Investment Advisors, Chicago

Summary of average GIC & BIC data vs. market yields

(Bullet, compound $1 million contract)



Source: William M. Mercer Meidinger Hansen Asset Planning Inc.

First quarter 1989 returns

	Russell 3000®	Russell 1000®	Russell 1000® by market capitalization				Russell 2000®
			Large	Medium/large	Medium	Medium/small	
Technology	-1.3%	-1.5%	-3.6%	-0.1%	2.3%	3.2%	0.7%
Health care	10.1	10.2	9.7	12.5	8.9	8.4	9.7
Consumer discretionary	9.4	8.9	6.1	9.7	8.6	11.1	12.4
Consumer staples	9.3	9.3	12.5	5.5	6.5	2.3	10.3
Integrated oils	7.8	7.7	6.9	14.4	14.8	7.1	47.7
Other energy	12.6	11.6	NA	12.2	11.2	10	20.2
Materials and processing	6.6	6.9	11.3	7.9	4.8	5.9	4.7
Producer durables	7	7.2	11.2	4.4	11.1	4.6	5.9
Auto and transportation	3.9	3.5	-0.4	3.4	6.9	9.9	9.2
Financial services	12.7	13.2	17.5	15.3	12	9.7	6.4
Utilities	6.7	6.8	9.6	5.7	2.1	6.6	3.9
Total	7.3	7.2	6.6	7.5	7.5	8	7.7

Source: Frank Russell Co., Tacoma, Wash.

Fixed income

Continued from page 3

- The ability to predict index returns is primarily a function of predicting interest rate changes.
- The benefits of passive investing can be achieved without indexing by establishing a maturity/duration objective appropriate for the portfolio.

Of the four major index groups, the Shearson Lehman Hutton Government/Corporate has evolved into the dominant index, largely because it was first and because users claim Shearson provides more detailed, useful and timely data, even though investment specialists find the other major indexes of equal quality.

While most investors and bond managers defend the use of the various indexes, many claim they do not accurately represent the fixed-income market.

Ed Bedrosian, chairman of Merganser Capital Management Corp., Cambridge, Mass., said bond indexes are poorer at representation than are equity indexes.

"There is no index which represents the fixed-income market. In equities, you have about 5,000 stocks with 500 representing a fair weighting. The universe is fairly well defined. The fixed-income universe is a diverse and changing universe . . . with new sectors being created all the time," said Mr. Bedrosian.

"If you are doing passive investing with an index, you literally have to change the index to the point where you have to wonder if you are passive anymore," he said. To outperform the indexes, active managers like Merganser must seek out fixed-income instruments that might not be included in the major indexes "before they become popular," he said.

Notre Dame's Mr. Reilly said there is an 85% to 90% overlap in the securities included in the major composite indexes. "That's why when people are looking at one index or the other they look for non-economic items; you're looking for minor details that may make a difference. They are all very comparable."

One bond manager, Rebecca Garner, vice president of Amherst Investment Management, Springfield, Mass., said she does not use any index.

"People peg themselves to an index, they don't just follow it. I don't even think about it. It's never brought up. I have a real problem with wanting to be average and pay myself to be average. Any index is average and that's what these managers are shooting for," she said.

But she acknowledged the Shearson Lehman Hutton indexes are widely used because "you do need some average to know what the market did. Shearson is easy to use because they publish an exact breakdown of the index on a timely basis."

Philip J. Schneider, head of the U.S. consulting practice for Wyatt Asset Services Inc., Chicago, said each index has advantages, but pension executives and bond managers choose an index based on their own investment guidelines.

"We look at the objectives of the fund and use an appropriate index consistent with that. If you can't buy low-quality bonds or corporates and restrict the maturity, there is no sense in using the Salomon Large Pension Fund Index," Mr. Schneider said.

The average maturity of the Merrill Lynch index is 9.4 years; the Ryan index, 8.14 years; the Shearson Lehman Hutton government/corporate, 9.6 years; and the Salomon large pension index, 14 years.

The average maturity of the Salomon index, he said, "is longer than any pension fund or pension fund fixed-income manager. The Salomon pension fund index hasn't really caught on because it is not reflective of the market."

Virginia Henneberry, first vice president at Shearson Lehman Hutton, acknowledged there are only slight differences between the Shearson Aggregate and the Salomon BIG because both cover the government, corporate and mortgage-backed securities sectors. But, she said, "given that, it comes down to service and frequency and the amount of information available in a manageable form to managers and clients."

Nancy Goerdel, deputy director-investments at the Employees Retirement System of Texas, which runs a $3.8 billion fixed-income portfolio internally, said the system uses the Shearson Aggregate Index to measure performance "because it is the best benchmark we can find" and most accurately represents the system's fixed-income portfolio.

"We don't use it to tell us what to do in portfolio management. Investment decisions are based on our advisers and what we see in interest rates. The aggregate is not all-encompassing; it is not the entire market, but it is a fairly good yardstick of the direction of the market. That's why you have these various indexes," Ms. Goerdel said. ■

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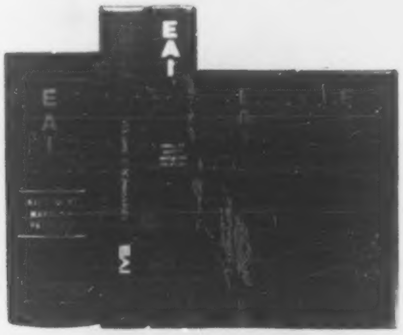

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Continued from page 3

to use the EAFE Index both actively and passively. Active managers use it as a benchmark; the bulk of passive managers continue to be indexed to EAFE."

Ted Roman, a vice president at Goldman, conservatively estimates the FT-Actuaries World Indices are used for about $4 billion in passive or quantitative strategies. Michael Mahaffy, a Salomon Brothers international portfolio specialist, estimated the Salomon-Russell series is being used for more than $1 billion in passive strategies.

The EAFE, FT-Actuaries World Indices and the Salomon-Russell series of indexes have similarities as well as differences. Money managers point out all three have been showing relatively similar returns, and they all use market-capitalization weightings.

The competitors, not surprisingly, are quick to cite ways they shine. For instance, the producers of the FT-Actuaries World and Salomon-Russell indexes both insist their indexes contain only stocks available to foreigners.

Apparently in response to investor criticisms of the 18-country, 1,021-stock EAFE index, Mr. Sladkus said Morgan Stanley launched an EAFE (Free) Index in 1987 that excludes 25 stocks not available for purchase by foreign investors.

Another plus of the FT-Actuaries indexes, according to Goldman's Mr. Roman, is the breadth of the 2,500-stock FT, making it the largest, and he believes, most flexible representative of equity markets.

Peter Warrington, the London-based sales and marketing director for The WM Co., agreed, saying the FT-Actuaries World Index "is more representative because it has more stocks in it."

In January, WM, Edinburgh, Scotland, began recommending to its 1,832 pension fund clients — which officials put at three-quarters of the U.K. pension industry — that they peg their accounts to the FT-Actuaries indexes.

The Salomon-Russell offerings began with the Primary Market Index series of 600 non-U.S. securities. It subsequently expanded to include the Extended Market Index of 1,087 stocks and the Broad Market Index of 1,687 stocks.

The PMI is composed of large-capitalization and highly liquid stocks; the EMI includes small- and medium-capitalized stocks; and the BMI, a combination of the PMI and EMI, covers 80% of the world's stock market capitalization.

Salomon-Russell's creators tout that, among other attractions, their product has lower transaction costs than competitors'. A 1988 study by one unidentified institution not connected with either Salomon or Russell showed the cost of investing a $100 million international equity portfolio was 1.28% for the Salomon-Russell PMI index, 1.45% for the EAFE and 1.79% for the FT-Actuaries World Index. Apparently, the liquidity of the Salomon-Russell index helped curb trading costs.

The EAFE, however, is not without charms — one of which is its age. Observers laud EAFE's historical data, which date back at least 20 years. Other pluses include Morgan Stanley's wide dissemination of information about its index. Indeed, "most pension funds decided to go into international investing based on Morgan Stanley's studies" of international markets, said Richard Vella, vice president of Bankers Trust Co. — Investment Management Group, New York.

But no conclusion needs to be drawn about the basic indexing products. These days, index vendors offer practically any variation of the basic product, including changing the way the markets are weighted. Indexes can be weighted by countries' gross domestic product, simple equal weighting or according to some optimized set of expectations on volatilities, correlations with other countries and country-specific returns, said David Umstead, managing director of Boston International Advisors Inc.

"Virtually all our clients who hired us for passive strategies are using a GDP-weighted index," Mr. Umstead said. "It's a much better index for determining country allocations because it's much more diversified (than capitalization-weighted indexes) in how it spreads out money between countries." For instance, the "GDP-weighted index allocates about 35% to Japan, compared with EAFE's about 65% Japan weighting."

GTE Investment Management Co., Stamford, Conn., is using a GDP-weighted benchmark developed by Goldman, Sachs, said Pamela McCann, vice president of GTE Investment Management. The firm runs a total of $1.2 billion in international equities, of which $203 million is passive.

In the end, money managers say there is room for more than one international equity index. As Larry Martin, vice president at State Street Bank and Trust Co., Boston, pointed out, "there are many indexes of the U.S. market."

And for pension funds, there may not be much difference. WM's Mr. Warrington said, "it almost doesn't matter what index" a pension fund uses. In his view, indexes are useful for obtaining quick evaluations after a period ends. "But we advise clients to compare their performances against a universe (of pension funds) rather than an index." ■

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6 management firms acquired in 1st quarter

By Marlene Givant Star

NEW YORK — Acquisitions and divestitures of asset management businesses soared during the first quarter as financial service companies took a more focused look at their businesses and balance sheets.

Six acquisitions were announced or completed during the first quarter; the same number as the deals completed in all of 1988.

In addition, Primerica Corp., Greenwich, Conn., has announced since the end of the quarter it might increase its already significant share in American Capital Management & Research, Houston. The company owns 83% of American Capital through Primerica's Associated Madison Cos. subsidiary; Templeton, Galbraith & Hansberger Ltd., Fort Lauderdale, Fla., owns 10%.

Batterymarch Financial Management, Boston, also announced since the end of the quarter it would acquire AgriVest Inc., a Glastonbury, Conn.-based manager of agricultural lands. AgriVest manages $325 million in taxable assets; terms of the transaction were not disclosed (*Pensions & Investment Age*, April 3).

Also, The Criterion Group Inc., Houston, with $10 billion under management, announced last month it will become a direct subsidiary of Transamerica Corp., the San Francisco insurance and financial services company in a planned $94.3 million cash offer (*P&I Age*, April 17).

Acquisitions of asset management firms announced or completed during the first quarter were:

- the purchase of J & W Seligman & Co. Inc., New York, which has $6.7 billion under management, in a leveraged buy-out by a group of Seligman directors for $53 million, or 0.8% of assets managed;
- the announcement that United Services Advisors Inc., San Antonio, Texas, which had signed a letter of intent to be acquired by Fred Alger Asset Management Inc., San Francisco, continues to seek a buyer after discussions with Alger were terminated;
- Chicago-based Duff & Phelps Investment Management Co.'s acquisition by Freeman Spogli & Co., a Los Angeles-based merchant bank and manager in a leveraged buy-out for $146.2 million or about 2% of the approximately $7 billion under management, including $5.7 billion in tax-exempt assets; and
- United Asset Management, Boston, announced it was acquiring Dewey Square Investors, Boston; HT Investors Inc., Providence, R.I.; and The Campbell Group Inc., Portland, Ore.

Dewey Square and HT are being acquired from the Bank of Boston for an estimated $20 million to $30 million or roughly 0.6% of their combined $4 billion in assets. The Campbell Group is a timber real estate and forestry investment adviser with $165 million under management. Details of that sale weren't disclosed.

The increased restructuring activity is a healthy sign for both the mutual fund and pension management industry, Dean P. Eberling, vice president and industry analyst at Shearson Lehman Hutton Inc., said in an interview.

"In the past year and a half the bottom didn't fall out of the asset management business," said Mr. Eberling, who recently wrote a report recommending several stocks of asset management companies based on fundamentals and the heady pace of acquisitions and divestitures.

In the mutual fund industry, which is positioned to benefit from the current interest rate environment and the growing uncertainty surrounding the thrift industry, net redemptions of equity mutual funds since Oct. 19, 1987, were offset by money market and high-yield bond fund sales, he said.

Mutual fund assets totaled $836.6 billion at the end of January, just more than 1% below the peak of $848.3 billion set in August 1987, according to the Investment Co. Institute, Washington.

Pension fund management will get a boost from the growth in pension liabilities and decline in plan reversions last year. Although many plans are overfunded, "there will be a crossover where liability growth will outpace financial market returns," increasing the need for strong investment performance, Mr. Eberling said in the interview.

Forty-one terminations of private defined benefit plans with asset reversions in excess of $1 million each were pending as of Sept. 30, according to Employee Benefit Research Institute tabulations based on data from the Pension Benefit Guaranty Corp., both of Washington. The plans represent total assets of $316 million.

In comparison, in 1985 at the height of termination fever, 584 plans were terminated representing $15.1 billion in assets.

"Pension money to be managed is not drying up and post-retirement benefits estimated at $100 billion to $2 trillion represent a huge potential corporate liability to be funded. The investment counseling business is poised to (help) do it," he said.

Prices paid for firms acquired during the quarter ranged widely but were within a cash flow multiple of six to eight, which is average for the industry, Mr. Eberling said.

Among divestitures announced during the first quarter, Aetna Life Insurance Co., Hartford, Conn., announced it was selling Federated Investors Inc., Pittsburgh, with $38 billion under management, for $380 million in a management-led leveraged buyout. Shearson Lehman Hutton made public it was selling Lehman Management Co., New York, with $17.5 billion under management.

"As companies rationalize their businesses and/or balance sheets, the values embedded in their asset management subsidiaries will make the Aetna and Shearson moves more than just isolated cases," Mr. Eberling's report said.

For many banks, selling asset management firms provides cash to ease the burden of loans to less developed countries and to meet other capital requirements.

Of course, divesting an investment management business is not the right strategy for every financial services firm.

"There are firms heavily in the transaction business, where revenue comes in great lumps, but doesn't maintain a sort of continuous stream. Those firms might well seek to have a less high return but more stable source of revenue," which can be achieved through an investment management arm, said Gerald Rosenfeld, managing director of Bankers Trust Co., New York, speaking at a *P&I Age* round table discussion on the restructuring of the financial services industry (*P&I Age*, March 20).

"The reason institutions typically exit the management business is because money management companies have almost no equity base to them. When you sell, you get huge gains," Steve Schwarzmann, president of the Blackstone Group, New York, said at the round table.

Even if acquisition/divestiture activity slows, asset management firms should fare well; assets under management are increasing industrywide and earnings momentum for the group is becoming solidly positive, the Shearson report said. Shearson expects earnings estimates will rise over 1989 and into 1990. ■

[illegible]

	[illegible]	[illegible]	[illegible]
		$ millions	
American Capital M&R			
total revenue	99.2	105.6	112.4
net income	23.3	24.6	26.2
Dreyfus			
total revenue	267.8	275.1	295.3
net income	90.9	94.8	101.8
Franklin Resources[1]			
total revenue	202.6	243.7	258.2
net income	66.3	74.5	78.4
Oppenheimer Capital[2]			
total revenue	58.8	64.5	70.7
net income	35.2	34.4	38.8
Pioneer Group			
total revenue	55.1	55.6	58.7
net income	13.8	12.8	13.5
T. Rowe Price			
total revenue	142.2	152.5	158.1
net income	26.6	24.4	25.1
United Asset Mgmt.[3]			
total revenue	122.4	137.6	146.7
net income	12.1	15.4	17.6

[1] fiscal year ended Sept. 30
[2] fiscal year ended April 30
[3] Includes acquisitions of Dewey Square and HT Investors
Source: Shearson Lehman Hutton

Valuations of asset management companies have increased based on their improving fundamentals and heightened acquisition and divestiture activity.

CFOs' salaries

Continued from page 1

vice president, chief financial officer and director of Boeing Co., $617,855.

Although the bosses of the three most highly paid financial officers earned about twice as much as their financial executives, they didn't rank at the top of their pay scale.

The highest paid top executive among the group of 54 was William Jovanovich, chairman and chief executive officer of Harcourt Brace Jovanovich Inc., who earned $2.9 million. The second highest paid was Don Tyson, chairman and chief executive officer of Tyson Foods Inc., whose salary was $2.56 million.

By comparison, William Schreyer, chairman and chief executive officer of Merrill Lynch, was paid $2.5 million; Rand Araskog, ITT chairman and chief executive officer, earned $2.2 million; and Allen Murray, director, chairman, president and chief executive officer of Mobil, earned $1.6 million.

The ratio held true for the lowest paid financial executive as well. John Linehan, senior vice president and chief financial officer at Kerr-McGee Corp., earned $186,963, while his boss — Chairman and Chief Executive Officer F.A. McPherson — earned more than twice as much at $420,773.

Headhunters and executive compensation experts said millionaire chief financial officers are unusual, but they expect to see more as the prestige of the executives rise.

David Smith, managing director at Korn Ferry International, a leading executive search firm based in New York, said the compensation and duties of the chief financial officer have risen significantly in recent years.

"There will probably be a growing number of million-dollar CFOs," said Walton Winder, vice president, Towers, Perrin, Forster & Crosby Inc., New York.

"In the face of all the corporate restructuring and the increasing complexity of the global financial markets, one would have to say that we are in an environment where the CFO has become an increasingly critical function for most corporations. It is the CFO . . . who will be accountable to the CEO for the health of the corporation . . . take the heat . . . and wring more value for the shareholder."

Executives of leading executive compensation and recruiting firms said more chief financial officers are among the top five most highly compensated executives this year than in the past. Also, more hold several key titles, including vice chairman, director and chief administrative officer.

Several studies also bear out the growing importance of the financial executive. One study by Business International Corp. and KPMG Peat Marwick, both of New York, found the executives are having greater influence over operating decisions and are increasingly working in areas outside of traditional finance.

Another trend is the increased use of long-term incentives, such as stock options and restricted stock, to reward financial executives.

"The long-term, non-salary components of the compensation package have risen significantly for the CFOs of industrial and financial service companies," said Pete Egan, partner at Hewitt Associates, Lincolnshire, Ill. ■

Marlene Givant Star contributed to this story.

Lottery earnings

Continued from page 2

But in the normal pell-mell horse-trading of a legislature's closing days, anything is possible. "You never know what will happen at the last minute," said a House staff member.

"Nothing's been settled. This is a very hot issue right now," said James Snyder, deputy treasurer.

The lottery proposal is opposed by Gov. Evan Bayh, who wants to use the money for infrastructure improvements, although he isn't expected to veto the pension funding proposal if passed.

"The lottery is the first new source of revenue in a long time," Mr. Fox said.

Until now, he said, the state hasn't done anything to fund its pension obligations. "Indiana is encouraging early retirements. Why go into a program and make us even further in the hole if we can't fund our current obligations?"

The $1.5 billion Indiana State Teachers' Retirement Fund is underfunded by about $3.4 billion, and another $2.2 billion in unfunded liabilities comes from various municipal fire and police pension plans that predate the formation of a state consolidated fire and police pension plan in 1977, according to Michael Cherry, acting executive secretary of the $2.9 billion Indiana Public Employees' Retirement Fund.

The employees' fund is funded for current obligations on an actuarial basis, he said.

Mr. Fox's proposal conflicts with the plan of Mr. Bayh, who wants to use 25% of the lottery revenue for a local revenue-sharing program, but nothing for pension funding. The balance initially would be used for sorely needed infrastructure improvements throughout the state, according to Mr. Bayh's press secretary, Fred Nation.

Estimates of lottery net revenue — gleaned from neighboring Kentucky's initial experience — vary. The first year, assuming only four months of operation, estimates range from $48.6 million to $80 million; the second fiscal year (July 1, 1990 to June 30, 1991) has estimates ranging from $97 million to $195 million.

If the bill becomes law, it is anticipated the state will have instant lottery tickets available Sept. 1 and a jackpot lottery beginning in 1990. Indiana's neighbors — Ohio, Michigan, Illinois and Kentucky — have lotteries.

Robert Newland, chief financial officer for the $1.5 billion Indiana State Teachers Retirement Fund, said the fund has been a "pay-as-you-go" system for at least two decades; every month the state makes the annuity purchases for its retiring teachers.

"Literally, every month I walk over to the treasurer's office and tell him we need $16.5 million for our annuity purchases," Mr. Newland said.

"The lottery proposal is quite novel," he said. "It's quite a door opening for Indiana to consider it."

Mr. Cherry said the underfunded municipal police and fire plans currently receive about $35 million per year from cigarette and alcohol taxes that were instituted in 1977.

State legislators also are considering a second try at a constitutional amendment allowing the state pension funds to invest in equities. In 1986, voters defeated the proposal 51% to 49%, according to Mr. Nation. ■

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PENSIONS & May 15, 1989

Investment Age

The newspaper of corporate and institutional investing $6 an issue · $110 a year

Fund eyes S&L opportunities

By Steve Hemmerick

LOS ANGELES — Four consultants, a pension fund and an investor group are quietly investigating whether pension assets can be put into financially troubled savings and loans that could be turned around quickly.

The pension fund is the $9 billion Los Angeles County Employees' Retirement Association. The investor group is headed by former Treasury Secretary William E. Simon, who already has bought some savings and loans with Preston Martin, a former member of the Federal Reserve Board.

The expectation by investors is that the Bush administration would be so grateful for the assistance of the deep pockets of pension funds in the savings and loan crisis that it would be ready to make relatively low-risk, sweet deals. Industry analysts estimate as many as half of the nation's 3,000 savings and loans could be liquidated or absorbed during the next decade at a cost to the federal government and taxpayers of between $50 billion and $100 billion.

In January, officials for the Los Angeles County pension fund indicated an interest in savings and loans, but it wasn't known until now that those officials have been actively investigating such an investment.

Pension funds generally don't seek out new investment opportunities; investment managers most often bring the idea to pension fund officials with ready-made investment vehicles.

But the county fund officials began their own investigation after learning of government assistance and guarantees offered for investments made in savings and loans by some wealthy individuals, such as investor Robert Bass and Revlon Corp. Chairman Ronald Perelman, and large corporations, including Ford Motor Co., Dearborn, Mich.

Consultants hired by either the pension fund or the Simon group have been centering their investigations on the risks and rewards of investing in savings and loans and finding a proper investment vehicle.

According to sources, Los Angeles County officials hired Pension Consulting Alliance, Glendale, Calif., to do a special report on whether savings and loan investments could be a sound investment for a pension fund.

Sources said the report, done with the help of the consulting and accounting firm Kenneth Leventhal & Co., Los Angeles, which has expertise in dealing with troubled savings and loans, approved the concept.

Officials with PCA and Charles Conrad, administrator for the Los Angeles County retirement system, wouldn't comment on the report.

Mr. Conrad, describing the whole subject matter as "sensitive," said his fund was approaching the matter very carefully and that the matter is still in the exploratory

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ESOPs face new hurdles

By Andrew Reinbach

Leveraged employee stock ownership plans are threatened from several points just as ESOP deal volume reaches record highs.

- The House Ways and Means Committee is opening three days of hearings on leveraged buy-outs May 16 that could result in legislation restricting ESOPs as well as buy-outs.
- An April 4 Securities and Exchange Commission ruling combines with the Internal Revenue Service's general policy to penalize ESOPs.
- A pending lawsuit could, if decided according to established Department of Labor guidelines, greatly strengthen the role of ESOP trustees as independent fiduciaries.

Because many ESOPs are used as anti-takeover measures, what happens to leveraged buy-outs affects ESOP formation. For example, recent Federal Reserve Board guidelines that discourage leveraged buy-outs have raised leveraged buy-out debt costs to as much as 14.5%. Investors, meanwhile, are avoiding buy-outs because they see them as expensive, risky and insufficiently rewarding. If fewer leveraged buy-outs are attempted because of the Fed's actions and cooling investor interest, fewer companies will need to form ESOPs as part of a takeover defense strategy.

As a defense against hostile takeovers and to simultaneously boost employee productivity and cut future pension liabilities, ESOPs have captured the imagination of public corporations.

Corey Rosen, executive director of The National Center for Employee Ownership, Oakland, Calif., reported a record $5.5 billion has been borrowed for leveraged ESOPs in the first quarter of 1989.

Paul J. Mazzilli, principal at Morgan Stanley & Co. Inc., New York, said the firm is getting about one new ESOP assignment per week in 1989 vs. two in all of 1988. The firm has almost $2.5 billion in announced and unannounced deals in hand.

Despite the surge in ESOP volume, further growth is threatened by the restrictive activities of several federal agencies. "All these things taken together should make companies think twice," said Mr. Rosen. "You might see

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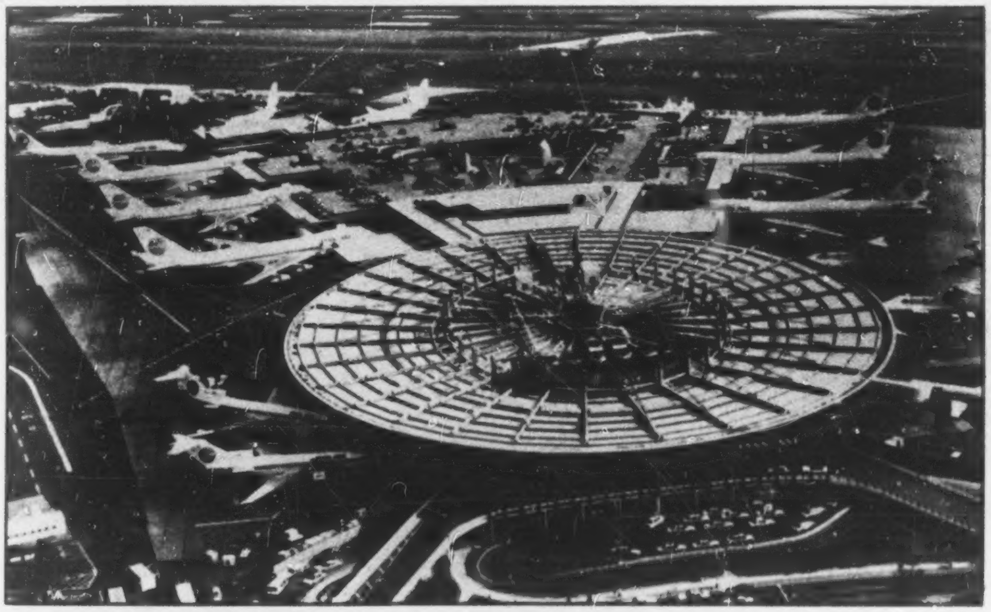

Pan Am's proposal to contribute its leasehold at the John F. Kennedy International Airport to the company's pension fund could get a boost from a merger with NWA.

Merger in the skies?

Deal may help Pan Am's pension funding

By Joel Chernoff

A merger between Pan Am Corp. and NWA Inc. would create a combined firm with $2.3 billion in retirement plan assets, but probably would leave the respective pension funds separate.

The powerful influence of labor unions over collectively bargained plans at New York-based Pan Am — the parent of Pan American World Airways Inc. — and St. Paul, Minn.-based NWA — the parent of Northwest Airlines Inc. — likely would keep the assets from being commingled, observers said.

On the other hand, a merger might bolster Pan Am's bid to transfer its John F. Kennedy International Airport passenger terminal to its severely underfunded pension fund.

A combined company presumably would be stronger than financially ailing Pan

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LATE NEWS

Exxon creates review committee

NEW YORK — The $35 billion New York City Retirement Systems and other institutional investors claimed victory last week when Exxon Corp. announced it would recommend the creation of a public committee of the board of directors.

The committee would be empowered to review and report to the board on the corporation's policies, programs and practices on public issues of significance, including those concerning the environment and worker safety and health. Exxon management also will recommend the appointment to the board of a non-employee environmental expert.

The fund, dissatisfied with the company's handling of the oil spill in Alaska, had threatened to vote its 6 million shares against the current board of directors at the company's annual meeting.

N.Y.C. proposes assumption hike

NEW YORK — Trying to close a $1 billion budget gap, New York City proposed increasing the assumed rate of return for its pension funds to 8.25% from 8%, saving the city $137.5 million in pension contributions this year.

If approved, the move — which needs the approval of the state Legislature — will trim New York City's pension contribution next year to $1.72 billion, said Len Zinnanti, assistant director of the city's Office of Management and Budget. The change in the assumption will be amortized over 10 years.

Beverly Hamilton, third deputy comptroller, who oversees the New York City system, called the hike "pretty modest."

Continental Can loses in lawsuit

NEWARK, N.J. — A federal judge has ruled Continental Can Co. Inc., Norwalk, Conn., and affiliated companies violated ERISA by conducting a secret campaign to limit pension liabilities.

The ruling came in a class action suit filed in U.S. District Court in Newark on behalf of more than 2,400 employees of various Continental plans. The suit alleged the company embarked on a campaign since 1975 to lay off workers shortly before they qualified for pensions and to ensure laid-off workers were not called back to work.

Robert Plotkin, an attorney for the plaintiffs, said damages could exceed $500 million and constitute the largest ERISA award ever. A Continental spokesman said officials hadn't decided whether to appeal because they hadn't reviewed the decision.

Partnership seeks troubled thrifts

NEW YORK — Salomon Inc. has joined a limited partnership to acquire and operate troubled financial services companies, primarily insolvent thrifts, that will be acquired through government restructuring of the industry.

Blackstone Financial Management L.P., an affiliate of the Blackstone Group, and Old Stone Corp., a Providence, R.I., savings and loan holding company, are the other limited partners. The partnership could acquire as much as $20 billion worth of assets. A Salomon affiliate will be the lead investor in the fund, which hopes to raise $300 million to $600 million.

Shareholders favor Texaco's pill

NEW YORK — In one of the most closely watched votes of the 1989 season, Texaco Inc. shareholders endorsed the oil company's controversial stockholder rights plan, enacted in April to ward off predators.

Texaco's poison pill has an unusual qualified offer feature, which causes the plan to be inactive when an acquisition of shares is proposed through a bona fide, fully financed all-cash offer and meets certain other conditions. A proposal calling for the adoption of confidential voting was defeated.

Funds hire investment managers

- DENVER — The $600 million Fire & Police Pension Association of Colorado hired McMahan Real Estate Advisors Inc., San Francisco, for direct real estate investments, according to Johnnie C. Rogers, executive director for the association.

  During the next 12 months, McMahan could invest as much as $20 million for the retirement system, and it will take over management of $30 million in direct real estate investments the association already owns. McMahan is replacing Mellon Real Estate Investment Management Corp., New York. The association will retain its $10 million allocation to a Mellon limited partnership.
- HARTFORD, Conn. — The $387 million Hartford Employees' Retirement System has picked Stein Roe & Farnham, Chicago, to run $10 million in fixed income, to be funded from cash reserves.

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Vol. 17, No. 10 — Pensions & Investment Age (ISSN 0273-5466) is published biweekly with a special edition in May, at 740 Rush St., Chicago, Ill. 60611. Second class postage paid at Chicago, Ill. and at additional mailing offices. Postmaster: Send address changes to Pensions & Investment Age, Circulation Dept. 965 E. Jefferson, Detroit, Mich. 48207.

Digging for nuggets

Realty firms, investors pan S&Ls for property

By Andrew Reinbach

The problems of the savings and loan industry promise to be a gold mine for real estate firms working as asset managers for the Federal Savings and Loan Insurance Corp. and possibly for institutional investors hunting for bargains.

Real estate assets totaling almost $7 billion are in disposition programs with asset managers under contract with the FSLIC, and more than $200 billion in additional assets (including loans and real estate) are expected to be up for grabs under the Resolution Trust Corp., part of the Bush administration's savings and loan bailout plan.

Real estate firms have seized on the prospect of billions of dollars of real estate loans and properties needing disposition services as a means of propping up income or creating new divisions.

The FSLIC pays 50 basis points of value as a management fee. In addition, a firm receives a sliding disposition fee based on the amount of time an asset remains under management: 150 basis points if the holding is liquidated within 18 months; 125 basis points between 18 and 36 months; and 100 basis points thereafter.

For example, Eastdil Realty Inc., New York, which manages 52 assets valued at more than $194.8 million, earns more than $970,000 in annual management fees, plus disposition fees, according to *Pensions & Investment Age*'s calculations.

Other firms involved in the program include Prentiss Properties Ltd. Inc., Dallas; Grubb & Ellis Inc., San Francisco; Landmark Land Co., Carmel, Calif.; and Palmieri Corp., Washington. Some have been in the program since 1985; others, only since January.

Some of the properties are institutional quality, among them a 250,000-square-foot bank building in Houston's Galleria area and a 200,000-square-foot office building in the Denver Tech Center.

Other FSLIC deals require work-out approaches instead of foreclosures.

Prentiss Properties, for instance, has been working with an 800-acre resort development on Puget Sound in Blaine, Wash., whose loan was in arrears following problems with construction of a hotel. "The deal was set up with large interest reserves, but rising rates ate them up," said Doug Kearl, a Prentiss vice president. "The hotel problems took two years to correct, but by (1987), the S&L (that had made the loan) was in trouble."

Foreclosure would have meant a $12 million economic loss to the FSLIC, said Mr. Kearl, but the Prentiss plan, adopted May 3, calls for the FSLIC to carry the property for three years, after which "the government can be paid off at par, or they can sell the loan." Mr. Kearl estimates the government will lose $3 million, at worst, in terms of net present value.

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Strategy shift eliminates post

By Fred Williams

DALLAS — Maxus Energy Corp. is placing almost all of its approximately $100 million in pension assets in a duration-matched bond portfolio, prompting the retirement of John Ring, who managed most of the assets internally.

The remainder — about $8 million — will be managed by Cambridge Capital Corp., New York, in a risk arbitrage portfolio.

The portfolio currently is 40% in stocks, 33% in bonds and 27% cash.

Mr. Ring will retire later this summer after 14 years in the financial department of Maxus and its predecessor company, Diamond Shamrock Corp.

Diamond Shamrock was restructured into two companies — Maxus and Diamond Shamrock R&M — in 1987, following an unsuccessful takeover attempt on Diamond Shamrock led by T. Boone Pickens Jr.

As a result of the restructuring, the number of employees has dropped to 1,100 from 13,000 in 1986; annual revenue has fallen to $600 million from $5 billion in 1986; and defined benefit assets have declined to about $100 million from $206 million in 1986.

Maxus Energy's John Ring will retire later this summer after 14 years with the company.

(The pension assets were reduced to the current level following the restructuring in 1987, with the termination of five defined benefit plans and $80 million used to purchase annuity contracts for plan participants from Aetna Life and Casualty Co. and a net outflow of assets through lump sum benefit payments, Mr. Ring said.)

"This has been in the mill for some time now," said Mr. Ring. "The downsizing of the company . . . dictated a good portion of the decision: Can we continue to afford the luxury of in-house investment management operation now that we are no longer dealing with $250 million in assets?

"I could put these assets in a duration matched portfolio, and a passive approach doesn't require a great deal of management. Then there is (Financial Accounting Standards Board statement) 87. With a duration matched portfolio you reduce the risk of any potential underfunding appearing as a liability on the balance sheet," he said.

The duration-matched bond portfolio will be set up through "one of the major bond houses" following an asset/liabilty study under way by William M. Mercer Meidinger Hansen Asset Planning Inc., Dallas, Mr. Ring said.

Continued on page 31

Lockhart picked for PBGC job

By Joel Chernoff

WASHINGTON — James Bicknell Lockhart III, the treasurer of Alexander and Alexander Services, New York, has been selected as the new executive director of the Pension Benefit Guaranty Corp., sources confirmed last week.

Meanwhile, PBGC Executive Director Kathleen Utgoff and her deputy, Royal Dellinger, announced their resignations, effective July 31. Both officials are expected to return to the private sector.

Sources confirmed Secretary of Labor Elizabeth H. Dole had picked Mr. Lockhart, who will come to the top PBGC post with a strong background in finance. Mr. Lockhart did not return phone calls.

A supporter of President Bush in last year's campaign, Mr. Lockhart has served as treasurer of Alexander and Alexander, the insurance brokerage firm, since 1983. Previously, he served in a variety of financial posts at Gulf Oil Corp., including stints at its London and Belgian subsidiaries. His last post at Gulf was as assistant treasurer in the oil company's Pittsburgh office from 1982 to 1983.

The runner-up for the top PBGC slot was believed to be Kenneth Keene, a retired member of the board of directors and former senior executive of Johnson & Higgins, the New York-based insurance brokerage and benefits consulting firm.

Sources expect the Bush administration to announce Mr. Lockhart's appointment within the next few weeks.

In her four-year tenure as the PBGC's executive director, Ms. Utgoff is credited with stabilizing the financially troubled agency. Under her leadership, the PBGC won major legislation in Congress while taking a very tough stance in litigation to prevent employers from dumping their unfunded pension liabilities on the agency.

"I have accomplished the objectives I set forth," leaving the agency in "reasonably positive financial shape," Ms. Utgoff said in an interview.

She developed a reputation as a tough and clever adversary, effectively using her position to warn against troubles facing the private-plan insurance system.

Ms. Utgoff "gets an A+ for protecting the PBGC," said Mark Ugoretz, executive director of the ERISA Industry Committee, Washington.

Despite industry concerns that she would stay in the job for only a year or two, in the wake of previous top-level turnover, Ms. Utgoff became the PBGC's longest-serving executive director.

She had sought appointment to the top pension post at the De-

Continued on page 31

The tops on earth: The P&I Age/InterSec World 300 (U.S. $ mils.)

1	Local Gov't Employees	Japan	113,200
2	Algemeen Burgerlijk	Netherlands	71,700
3	TIAA-CREF	U.S.	67,141
4	California Employees	U.S.	45,940
5	Nat'l Gov't Employees	Japan	38,900
6	New York State & Local	U.S.	37,918
7	General Motors	U.S.	37,600
8	New York City Systems	U.S.	35,537
9	AT&T	U.S.	35,143
10	General Electric	U.S.	25,300
11	California Teachers	U.S.	24,721
12	New York Teachers	U.S.	22,779
13	IBM	U.S.	21,761
14	New Jersey	U.S.	20,092
15	Ford Motor	U.S.	19,650
16	Texas Teachers	U.S.	19,439
17	British Coal	U.K.	17,200
18	PGGM	Netherlands	16,600
19	E.I. du Pont de Nemours	U.S.	16,489
20	Wisconsin	U.S.	16,419
21	Ohio Employees	U.S.	16,408
22	British Telecom	U.K.	16,400
23	Michigan State	U.S.	15,798
24	Ohio Teachers	U.S.	15,348
25	Florida State Board	U.S.	14,411
26	North Carolina Systems	U.S.	13,800
27	NYNEX	U.S.	13,401
28	Pa. Public Schools	U.S.	12,999
29	Electricity Supply	U.K.	12,900
30	Ameritech	U.S.	12,100
31	British Post Office	U.K.	11,900
32	Washington State Board	U.S.	10,867
33	Bell Atlantic	U.S.	10,816
34	GTE	U.S.	10,596
35	BellSouth	U.S.	10,505
36	British Railways	U.K.	10,500
37	University of California	U.S.	10,123
38	Minnesota State	U.S.	9,706
39	British Gas	U.K.	9,700
40	Pacific Telesis	U.S.	9,639
41	USX	U.S.	8,860
42	Oregon Employes	U.S.	8,800
43	Philips	Netherlands	8,800
44	Los Angeles County	U.S.	8,744
45	Maryland State	U.S.	8,717
46	Universities Super.	U.K.	8,600
47	Rockwell Int'l	U.S.	8,538
48	Boeing	U.S.	8,476
49	Teamsters, Central	U.S.	8,469
50	Ontario Municipal	Canada	8,400

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World's top funds hold $1.8 trillion

By Margaret Price

The 300 largest pension funds the world had $1.826 trillion in sets in 1988, a first-of-its kind rvey by *Pensions & Investment ge* and InterSec Research Corp. ows.

Although most of the world's mbo funds are in the United ates, the two largest hail from tside North America: the esti- ated $113.2 billion Local Gov- nment Employees' pension fund Japan and the approximately 1.7 billion Algemeen Burgerlijk nsioenfonds of the Netherlands.

The largest U.S. fund — the $67.141 billion Teachers Insurance and Annuity Association — College Retirement Equities Fund — is third.

All but one of the funds rounding out the top 10 — the $38.9 billion National Government Employees pension fund of Japan, which ranked fifth — are in the United States. They are, in order: the $45.94 billion California Public Employees' Retirement System; the $37.918 billion New York State & Local Retirement Systems; General Motors Corp.'s $37.6 billion employee benefit funds; the $35.537 billion New York City Retirement Systems; American Telephone & Telegraph Co.'s $35.143 billion employee benefit funds; and General Electric Co.'s $25.3 billion employee benefit funds.

According to InterSec, an investment management consulting firm in Stamford, Conn., 191 of the Top 300 are in the United States; 53, the United Kingdom; 18, the Netherlands; 11, Canada; eight, Germany; seven, Switzerland; six, Japan; four, Australia; and one each, Denmark and France.

Although British and private Australian pension funds average 70% to 80% exposure to equities, typical Japanese, German or Swiss pension funds "will never in our lifetimes invest so aggressively," said David Booher, an InterSec director in London.

The more conservative foreign funds, however, will "build up their equities positions gradually," Mr. Booher said.

He said the two large Japanese public sector funds traditionally were controlled by Japan's Ministry of Finance, which invested mostly in Japanese fixed-income securities mainly to help finance Japan's governmental debt.

Following lobbying by Japan's public employees, Japan's Ministry of Health and Welfare, the Ministry of Home Affairs and others, the two large public Japanese pension funds began modest diversification. A small amount of their assets went to Japanese money managers, said Mr. Booher.

To accomplish this, the law that governs the Local Government Employees' pension plan had to be amended to permit use of out-

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Investment banks get financing

By Marlene Givant Star and Marcia Parker

The financial services indus- ry's thirst for capital is rompting investment banks, outiques and money manag- rs to seek out deep-pocketed .S. and Japanese insurance ompanies and other finan- iers.

Amid the globalization of world financial markets and a nerchant banking push, ana- ysts expect to see more insti- utional investors injecting apital into financial services irms, and some unique part- ership arrangements among he players.

In effect, the firms' clients are becoming the firms' capital suppliers as well.

Among the examples:

- Metropolitan Life Insur- ance Co. purchased about 10% f the closely held investment ank CS First Boston Inc. ear- ier this month. CS First Bos- on soon will announce another group of institutional investors such as insurance companies will take a 20% stake in the irm.
- Seven insurance com- panies invested $225 million in Goldman, Sachs & Co. in March, joining Japan's Sumi- omo Bank, which had invested $500 million in the firm in 1986 in exchange for a 12.5% share of Goldman's profits.
- Several leading Japanese financial services giants — in- luding Nikko Securities Inc. and Nomura Securities Co. — have bought into such New York investment banking bou-

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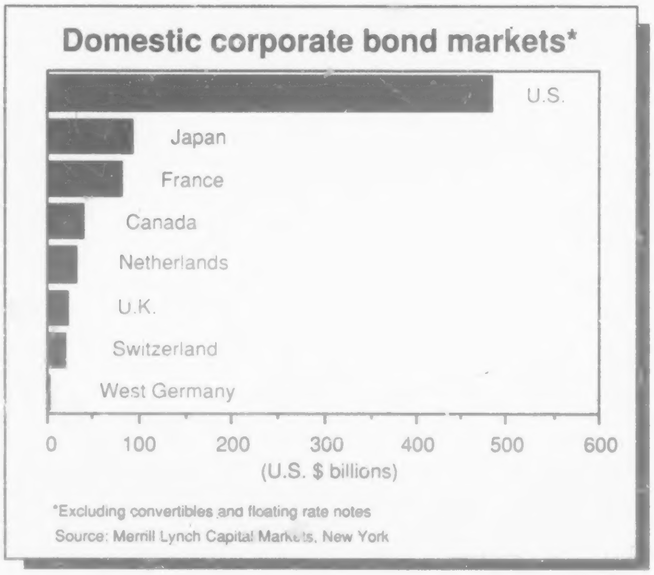
Overseas debt markets gain

By Marcia Parker

The growing appetite for debt among foreign companies and institutional investors, coupled with government fiscal restraints and stepped-up market deregulation, are stimulating the development of fledgling corporate bond and commercial paper markets in other countries.

For issuers in the United Kingdom, Japan, West Germany and other countries, the opening of the domestic debt markets eventually will mean cheaper financing, less reliance on banks and internal funds and a more diverse shareholder base.

For investors, it means a bigger and more diversified pool of assets in which to invest at a time when the market for sovereign paper is shrinking. Foreign investors and U.S. institutions that invest internationally are heavily invested in government paper, a huge, safe and highly liquid market.



Domestic corporate bond markets*

*Excluding convertibles and floating rate notes

Source: Merrill Lynch Capital Markets, New York

Domestic corporate bond markets outside the United States are quite small and illiquid. The U.S. bond market dwarfs all others, with more than $480 billion of domestic corporate bonds outstanding. Other relatively developed domestic bond markets exist in Japan, France, Canada and the Netherlands, while countries like the United Kingdom or West Germany lag far behind. The high-yield market outside the United States is nearly non-existent, but efforts are under way to cultivate it.

Outside the United States, issuers still rely primarily on banks and the well-established and efficient Euromarket. Many companies are cash rich and have strong capital bases and, as a result, have little need for additional capital.

Those traditions are obstacles, along with opposition from some banks worried about the competition that a flourishing bond market would present to their corporate lending business.

Initially, the lack of liquidity and government tax policies might put these domestic markets at a cost disadvantage. But all that is changing, albeit slowly, according to investment bankers, issuers and investors.

Foreign companies competing in an increasingly international market where capital is the key to success are pushing for access to alternative and potentially cheaper financing sources.

Corporate debt levels are generally lower abroad compared with those in the United States. Few midsize and small companies float debt in their home countries.

As a result investors own more equity and sovereign paper than corporate debt. But as governments adopt tight fiscal policies, investors need something to replace government debt.

"The vast majority of debt is government debt and it's shrinking. We are very interested in the international corporate debt market," said Adam Greshin, executive vice president, Scudder, Stevens & Clark Inc., New York.

Scudder's foreign funds hold mostly sovereign paper because "corporate debt is hard to find," he said. In the corporate debt market, "there's the additional yield and additional relative performance advantages and the chance to get in on an emerging market before it's fully valued."

Finance officials and government regulators around the world are helping potential foreign issuers, and ultimately investors, gain ground in several ways.

In the United Kingdom, Prime Minister Margaret Thatcher's fiscal tightfistedness, which will involve the retirement of about $17 billion to $25 billion of gilts annually during the next few years, will be a sharp stimulus to the nation's corporate bond and commercial paper markets, according to Kaj Areskoug, senior economist at Moody's Investors Service Inc., New York.

He said the government's $23 billion surplus in the 1989-1990 budget will lead to a retirement of at least 10% of outstanding gilts this year, thus freeing up funds for other uses. In addition, a net capital inflow is likely to bring in $23 billion of foreign savings. As a result, lendable funds equivalent to some 6% of gross domestic product will be available to the private sector — including corporate debt issuers — this year. Similar conditions are expected in the next several years.

On the demand side, Mr. Areskoug said recent measures such as the loosening of government restrictions on corporate bond maturities and issuing procedures, announced in March, will help to make public market debt a more viable financing option for U.K. corporations.

Carolyn Sykes, director at Warburg Investment Management International Ltd., New York, said the institutional investor demand for corporate debt securities exists but will have to be cultivated, and international corporate bond indexes will have to be developed to measure performance.

"In the U.K., there's a shortage of high-quality fixed-income assets," she said. "In many other countries, the trend to fiscal surplus means the conditions are conducive to development of corporate debt markets. But the international bond diversification movement is still a new one. I haven't seen a great deal of evidence of interest."

These and other factors could make the bond market an incrementally more attractive source of

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Value leads way

Gary-Wheaton's stock portfolio on top

By Trudy Ring

	Quarter	1 yr.	3 yr.	5 yr.	10 yr.
Highest return	14.33%	32.84%	18.2 %	26.82%	23.16%
First quartile	7.65	18.15	11.11	17.77	17.01
Median	6.47	15.35	9.3	15.97	15.58
Third quartile	5.46	12.51	7.56	14.51	14.41
Lowest return	2.08	−17.34	−8.85	7.35	8.72
S&P 500	**7.08**	**18.11**	**10.97**	**17.48**	**16.36**

Focusing on value helped equity funds reach the top of the PIPER universe in the first quarter.

Gary-Wheaton Bank, Chicago, led the Pensions & Investments' Performance Evaluation Report rankings in the quarter with a 14.3% return for its growth equity fund, which, despite its name, has a value orientation. The fund also was No. 1 for the year ended March 31, with 32.8%. It is slightly more than a year old.

The Standard & Poor's 500 Stock Index returned 7.1% in the quarter and 18.1% for the year. The median PIPER equity fund had 6.5% and 15.4%, respectively.

The median fund's underperformance continued in longer periods. The median return was 9.3% for the three years ended March 31, compared with 11% for the index. For the five-year period, the median was 16% and the index, 17.5%. For the 10-year period, the median was 15.6% and the S&P 500, 16.4%. All returns for periods of more than a year are compound annualized.

The PIPER equity universe is composed of 322 pooled funds offered by banks, trust companies and insurance companies.

Gary-Wheaton Bank's growth equity fund buys stocks whose prices are low relative to their book value, said Doug Eyles, vice president and trust division manager. The issuing companies also must have a promising long-term outlook, financial strength and good management, he said.

Holdings generally are not among the largest-capitalization companies in the market, but the stocks must be liquid enough that trading isn't difficult, Mr. Eyles said. While the bank has discretion over the fund's assets, it closely follows recommendations made by an outside adviser, Compu-Val Investments Inc., Wilmington, Del.

The $5 million fund typically holds about 40 issues and has turnover of 20% to 40% a year. Its largest holding is **CNW Corp.**; other major positions include **Kemper Corp.**, **Triad Systems Corp.** and **M**[illegible]**o.**

State Stre[illegible] and Trust Co., Boston, [illegible] nd for the quarter with [illegible] itatively managed matı [illegible] s fund. The fund return [illegible] in the quarter. It was sixth [illegible] both the year, with 23.8%, and the three-year period, with a compound annual 15.9%. It will be five years old June 30.

The fund's management uses two stock selection models, said Langdon Wheeler, vice president. One model focuses on value, as measured by how much growth and dynamism a company has vs. how cheap its stock is. The other looks at revisions of earnings estimates, with the assumption that companies with rising estimates will have rising stock prices.

Market sectors have the same weightings as in the S&P 500, while weightings of industries within those sectors may vary. Individual stocks are weighted equally, with 50 names in the fund. The fund is always fully invested and has about 150% annual turnover.

Some of its holdings are **TCBY Enterprises Inc.**, **L.A. Gear Inc.**, **General Motors Corp.**, **General Mills Inc.**, **The Dow Chemical Co.** and **Philip Morris Cos. Inc.**

The fund has $35 million in assets.

Chancellor Capital Management, New York, was third for the quarter with its MULTIFACT fund, which returned 11%. The fund returned 20.7% for the year, placing it in the top 20% of the rankings. It was just above the median for the three-year period, with 9.8%, but back in the top 20% for the five-year period, with 18.8%. In existence since 1983, it is too new for the 10-year period.

The fund was started when Chancellor Capital was Citicorp Investment Management, an affiliate of Citibank. After the management firm's sale to USF&G Corp., Baltimore, last year, it set up Chancellor Trust Co. to continue offering pooled funds. The pooled MULTIFACT fund has about $90 million in assets; separate accounts totaling $110 million are managed in similar fashion.

The strategy uses three variables — price volatility, value and earnings momentum, said Don Young, managing director of Chancellor Capital. The methodology is based on publicly available information, not forecasts, and is non-judgmental, he said.

The fund holds about 40 stocks, drawn from a universe of the 400 largest-cap companies, in equal weightings. It stays fully invested and has about 80% annual turnover.

Some recent strong performers were **MCI Communications Corp.**, **Federal National Mortgage Association**, **NWA Inc.**, **The Chase Manhattan Corp.**, **Wells Fargo & Co.** and the firm's former parent, **Citicorp.**

The top fund for the three-year period was First Chicago Investment Advisors' institutional equity fund, with 18.2%. It was in the top 20% for the quarter, with 8.4%, and the top 10% for the year and five-year period, with 22.9% and 19.9%, respectively. For the 10-year period, it was nearer the middle, with 16.7%, reflecting different management before 1981, said Gary Brinson, president and chief investment officer.

The $520 million fund takes a value-oriented, contrarian approach to picking both large- and small-cap stocks. It also hedges with stock index futures when appropriate, Mr. Brinson said.

Going into the October 1987 market crash, it was 52% hedged. The hedge was removed in late 1987 and early 1988 but was restored in the first quarter of 1989, with the fund now 18% hedged. The three-year results reflect both good stock selection and the beneficial effect of hedging during the 1987 crash, Mr. Brinson said.

The fund holds about 70 stocks in varying weightings, with the largest being **Coca-Cola Enterprises Inc.** Another large position is **United Telecommunications Inc.**, which the fund bought when it sold off MCI after the latter stock tripled in price.

Sun Bank Capital Management, Orlando, Fla., topped both the five- and 10-year periods, with 26.8% and 23.2%, respectively. Its equity fund remained in the top 10% for the three years, with 15.8%, but fell to the bottom 30% for the most recent year, with 12.4%. It was just above the median for the quarter, with 6.6%.

"By our standards, we've done quite poorly" in recent periods, said Tony Gray, president. The $420 million fund focuses on large, successful companies with above-average earnings growth, but those companies' stocks have been out of favor in the past 15 months, Mr. Gray said.

The fund holds about 65 names now, with turnover about 200% a year.

Current holdings include **General Electric Co.**, **CPC International Inc.**, **Merck & Co. Inc.** and **Minnesota Mining & Manufacturing Co.** ■

Looking for direction

Economic haziness holds bond funds short

By Fred Williams

Fixed-income funds
(periods ended March 31, 1989)

	Quarter	1 yr.	3 yr.	5 yr.	10 yr.
Highest return	4.64%	17.94%	14.43%	23.89%	16.29%
First quartile	1.5	5.98	6.88	12.62	11.18
Median	1.28	5.33	6.28	11.62	10.53
Third quartile	1.07	4.77	5.79	10.73	9.88
Lowest return	−1	2.3	1.83	7.72	6.63
SLH G/C	**1.09**	**5**	**5.83**	**12.29**	**10.84**

Fixed-income portfolio managers topping Pensions & Investments' Performance Evaluation Report in the first quarter continued to hold primarily shorter maturity issues or high-yield bonds while waiting for clear signals on the direction of the economy.

The top performing PIPER fixed-income fund for the quarter and 12 months ended March 31 was the high-yield bond portfolio offered by First Variable Life Insurance Co., Little Rock, Ark., which returned 4.64% for the quarter and 17.94% for the year. In addition, the $2 million portfolio was in the upper decile for the three-, five- and 10-year periods as well with compound annual returns of 11.57%, 15.06% and 12.96%.

For the quarter and the year, the PIPER median portfolio returned 1.28% and 5.98%, respectively, compared with the Shearson Lehman Hutton Government/Corporate Bond Index returns of 1.09% and 5%. The 90-day Treasury bill was up 2.02% and 7.13%, respectively.

In the quarter, First Variable Life was followed by Imperial Trust Co., Los Angeles, with 4.32%, and Sunburst Bank, Grenada, Miss., with 3.48%.

For the 12 months, First Variable was followed by Trust Co. of the West, Los Angeles, with 11.04% and Wellington Trust, Boston, with 10.95%.

The PIPER fixed income universe covers 293 bank and insurance company fixed-income funds representing total assets of $16.5 billion.

The First Variable portfolio is managed by Rebecca Garner, vice president at Amherst Investment Management Co., the investment arm of Monarch Capital Corp., Springfield, Mass., which owns First Variable.

Unlike many junk-bond funds, Ms. Garner said the First Variable portfolio is long-term oriented, allowing her to control volatility.

"We have very little exposure to the top tier of junk-bond companies," she said. "The top-tier companies, which are widely held and widely traded, is where the volatility is. By avoiding the top tier, you avoid volatility. That's one reason for the prolonged performance."

She said First Variable uses a proprietary modeling technique to "quantify relative credit rankings and assess the true worth of the credit" of the issues in the portfolio. "Risk is prioritized within the framework of relative value analysis. if I ever feel we aren't being paid for the risk we are taking in the high-yield market, we would reduce our exposure."

The portfolio usually has about 20 names that are held an average of at least two years, she said. "We buy more emerging credit companies with upgrade potential which typically take a little longer to work out," she said. "You shouldn't be in this market if you think you are going to get out next week."

Jefferson Trust & Savings Bank, Peoria, Ill., also finished in the top decile for the three- and 12-month periods.

Stephen C. Johnson, vice president and trust investment officer, said the $21 million fund is made up primarily of short to intermediate Treasury instruments.

"We have been extremely short, with about 65% of the portfolio due within about 18 months," he said. "Very short; very liquid."

Mr. Johnson said interest rates could inch higher within the next six months. "We may not have seen the peak in interest rates, but probably will over the next six months. We're looking for the yield curve to return to a more normal position during that time and will keep 80% of the portfolio to five years (maturity) or under and will stick exclusively with Treasuries," he said.

Sunburst Bank, which placed third for the quarter and was in the top decile for the 12 month and five-year periods with 8.5% and 15.55%, respectively.

Grey Duddleston, trust investment officer at Sunburst, said the $1.5 million fund primarily has been composed of convertible bonds.

He said the fund was reduced to 33% convertibles during the first quarter from 50% at the end of 1988, with the balance shifted into corporate bonds.

"We tried to avoid debt risk names by using primarily utilities and large-capitalization companies, governments and agency instruments," he said, adding the portfolio now is weighted about 10% in Treasury receipts, Treasury STRIPS and zero-coupon bonds.

He plans no dramatic shift in emphasis in the next six months. The bond market is currently "stuck in a trading range" following the recent bond market rally, he said. "Long bonds could get back to 9.25% on the high end and 8.6% on the low end in coming months.

"We still have some more bad medicine on the economy before the end of the year. I believe we will see slightly higher (interest) rates this summer before rates trend back downward."

For the longer term, the median PIPER fixed-income portfolio had compound annualized returns of 6.28% for three years, 11.62% for five years and 10.53% for 10 years. The Shearson Lehman Hutton index was up 5.83%, 12.29% and 10.84% for the respective periods. All figures for longer than one year are compound annualized.

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Top fixed-income funds by size 13
Top quartile equity funds 13
Top equity funds by size 13

Top quartile commingled fixed-income funds

3-month returns

	%
First Variable Life, Ark.	4.6
Imperial Trust, Calif.	4.3
Sunburst Bank, Miss.	3.5
Jefferson Trust, Ill.	2.9
Delaware Trust	2.8
Bank of Delaware	2.7
Chancellor Capital (Bondshift)	2.5
Wellington Trust (Emerg.), Mass.	2.5
Trustmark Nat'l, Miss.	2.2
Signet Trust (Stable value), Va.	2.1
Travelers Cos. (SA D), Conn.	2.0
Bank of the West, Calif.	2.0
Equitable Capital (No. 5), N.Y.	2.0
Trust Co. of the West (High yield)	1.9
Bankers Trust (Gov./agen.), N.Y.	1.9
Dauphin Deposit (Short), Pa.	1.9
Banc One Asset (Invt.), Ohio	1.9
Southeast Bank, Fla.	1.9
First Wachovia, N.C.	1.9
First Fidelity Bank (Inter.), N.J.	1.8
Central Fidelity (Short), Va.	1.8
First Interstate of Wisconsin	1.8
First Kentucky Trust	1.8
State Bank (D), Ohio	1.8
Northern Trust, Ill.	1.8
Texas Commerce (Low vol.)	1.8
United Capital Mgmt., Colo.	1.8
Chicago Title & Trust	1.8
Transamerica Life (SA T-2), Calif.	1.8
Hawaiian Trust (Defensive)	1.7
First Fidelity Bank, N.J.	1.7
MTrust, Texas	1.7
Norwest Bank, Minn.	1.7
Continental Capital, Ill.	1.7
Marine Midland, N.Y.	1.7
Exchange Nat'l Bank, Ill.	1.7
Old Kent, Mich.	1.7
Bankers Trust (B), N.Y.	1.7
Texas Commerce (Active)	1.7
Nat'l Westminster Bank, N.J.	1.6
Southtrust Bank, Ala.	1.6
Fidelity, Pa.	1.6
SeaFirst Bank (Sea Cap), Wash.	1.6
Aetna Life (Shares/tot.), Conn.	1.6
Mercantile Bank, Mo.	1.6
Continental Capital (Inter.), Ill.	1.6
Valley Fidelity, Tenn.	1.6
First Alabama Bank	1.6
Travelers Cos., Conn.	1.6
Valley Nat'l (II), Ariz.	1.6
Wellington Trust (High yield), Mass.	1.6
NCNB Nat'l Bank, N.C.	1.5
Ameritrust (Reserve), Ohio	1.5
Confederation Life (Amer.), Ontario	1.5
First Variable (H.Q.), Ark.	1.5
CoreStates Investment, Pa.	1.5
Shawmut Bank (Inter.), Mass.	1.5
First Nat'l of Maryland	1.5
Security Nat'l Bank (II), W. Va.	1.5
Massachusetts Mutual	1.5
First Interstate of California	1.5
First Wisconsin Asset	1.5
Morgan Guaranty, N.Y.	1.5
SW Nat'l Bank of Pa.	1.5
Hamilton Bank, Pa.	1.5
Manufacturers Detroit	1.5
Chase Investors (Long), N.Y.	1.5
Connecticut Bank	1.5
Sun Bank, Fla.	1.5
Shearson Lehman G/C Index	**1.1**

1-year returns

	%
First Variable Life, Ark.	17.9
Trust Co. of the West (High yield)	11.0
Wellington Trust (Emerg.), Mass.	11.0
Wellington Trust (High yield)	10.0
Bank of Delaware	9.1
Signet Trust (Stable value), Va.	8.7
Jefferson Trust, Ill.	8.6
Sunburst Bank, Miss.	8.5
Beverly Trust, Ill.	8.5
First Interstate of California	8.5
Hawaiian Trust (Defensive)	8.4
Imperial Trust, Calif.	8.4
Delaware Trust	8.0
Chancellor Capital (Bondshift)	8.0
Trustmark Nat'l, Miss.	7.8
First Interstate of Wisconsin	7.8
Sanwa Bank (C), Calif.	7.7
Bank of the West, Calif.	7.7
Marine Midland, N.Y.	7.5
Equitable Capital (No. 5), N.Y.	7.4
Transamerica Life (SA T-2), Calif.	7.4
Boatmen's Trust, Mo.	7.3
Life of Virginia	7.2
Pacific Financial, Calif.	7.1
Bankers Trust (Gov./agen.), N.Y.	7.1
Cullen Bank, Texas	7.0
Northern Trust, Ill.	7.0
Morgan Guaranty, N.Y.	6.9
Sovran Capital (Inst.), Va.	6.8
Dauphin Deposit (Short), Pa.	6.7
First Kentucky Trust	6.6
Exchange Nat'l Bank, Ill.	6.6
Central Fidelity (Short), Va.	6.6
Second Nat'l Bank, Ohio	6.6
Norwest Bank, Minn.	6.6
United Capital Mgmt., Colo.	6.5
Chase Investors (Long), N.Y.	6.5
NCNB Texas (Long term)	6.4
Security Nat'l Bank (II), W. Va.	6.4
First Wisconsin Asset	6.4
Chemical Invest. Group (1), N.Y.	6.4
CIGNA Corp. (Active), Conn.	6.3
Mercantile Safe, Md.	6.3
Banc One Asset Mgmt., Ohio	6.3
First Wachovia, N.C.	6.3
SeaFirst Bank (Sea Cap), Wash.	6.3
American Security, D.C.	6.3
Fidelity Bank, Pa.	6.2
Travelers Cos. (SA D), Conn.	6.2
Bank of Tokyo (Inter.), N.Y.	6.2
HT Investors (A), R.I.	6.1
First Chicago	6.1
The New England, Mass.	6.1
First Nat'l of Maryland	6.1
The Principal, Iowa	6.1
SW Nat'l Bank of Pa. (Trust)	6.1
Nat'l Bank of Detroit	6.0
Bank One, Indianapolis	6.0
Chase Investors (CMB index), N.Y.	6.0
Bankers Trust (B), N.Y.	6.0
Chase Investors (Short-inter.), N.Y.	6.0
First Union Nat'l, N.C.	6.0
Trustcorp Bank, Ohio	6.0
Shearson Lehman G/C Index	**5.0**

3-year returns

	%
Travelers Cos. (SA D), Conn.	14.4
Trust Co. of the West (High yield)	11.9
First Variable Life, Ark.	11.6
Delaware Trust	11.3
Wellington Trust (Emerg.), Mass.	9.8
Beverly Trust, Ill.	9.6
Transamerica Life (SA T-2), Calif.	9.4
Trustmark Nat'l, Miss.	9.0
Hawaiian Trust (Defensive)	8.9
Signet Trust (Stable value), Va.	8.7
Chancellor Capital (Bondshift), N.Y.	8.7
First Interstate of Wisconsin	8.4
Sanwa Bank (C), Calif.	8.3
Mutual of New York (Priv.)	8.1
First Chicago	8.0
Morgan Guaranty, N.Y.	7.9
Pacific Financial, Calif.	7.9
Mid-State Bank, Pa.	7.8
Mercantile Safe, Md.	7.8
Bankers Trust (Mtg.), N.Y.	7.7
United Capital Mgmt., Colo.	7.7
Colonial American Nat'l, Va.	7.6
Summit Trust, N.J.	7.6
First Interstate of California	7.6
Marine Midland, N.Y.	7.6
IAA Trust (B), Ill.	7.5
First Kentucky Trust	7.5
Chase Investors (Short-inter.), N.Y.	7.5
Mercantile Safe (Inter.), Md.	7.5
Jefferson Trust, Ill.	7.4
Aetna Life (Shares/tot.), Conn.	7.4
Norwest Bank, Minn.	7.4
Wheeling Dollar Bank, W. Va.	7.4
The Principal, Iowa	7.3
Northern Trust, Ill.	7.3
Sovran Capital Mgmt., Va.	7.3
Cullen Bank, Texas	7.3
Capital Trust, Ore.	7.3
Valley Fidelity, Tenn.	7.2
Texas Commerce (Low vol.)	7.2
First Alabama Bank	7.2
Wellington Trust, Mass.	7.2
Dauphin Deposit (Short), Pa.	7.2
Columbus Bank, Ga.	7.2
Wilmington Trust, Del.	7.1
SeaFirst Bank (Sea cap), Wash.	7.1
Banc One Asset Mgmt., Ohio	7.1
Harris Trust (Gain), Ill.	7.1
Midlantic, N.J.	7.1
First Wachovia, N.C.	7.1
Society Nat'l, Ohio	7.1
Sunburst, Miss.	7.0
Bankers Trust (Gov./agen.), N.Y.	7.0
The New England, Mass.	7.0
CoreStates Investment, Pa.	6.9
Harris Trust, Ill.	6.9
Michigan Nat'l	6.9
Prudential (VCA 8), N.J.	6.9
Central Fidelity (Short), Va.	6.9
Shawmut Bank (Inter.), Mass.	6.9
Bankers Trust (B), N.Y.	6.9
Assoc. Bank Neenah (Long), Wis.	6.9
Connecticut Nat'l Bank	6.9
Shearson Lehman G/C Index	**5.8**

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5-year returns

	%
Travelers Cos. (SA D), Conn.	23.9
United Capital Mgmt., Colo.	17.0
Delaware Trust	16.3
Boatmen's Trust, Mo.	15.8
Equitable Capital (No. 5), N.Y.	15.6
Sunburst Bank, Miss.	15.6
Transamerica Life (SA T-2), Calif.	15.2
Beverly Trust, Ill.	15.1
First Variable Life, Ark.	15.1
LaSalle Nat'l (Long), Ill.	14.4
IAA Trust (B), Ill.	14.3
Connecticut Nat'l Bank	14.2
Travelers Cos. (SA P)	14.0
Sanwa Bank (C), Calif.	13.9
The Principal, Iowa	13.9
Life of Virginia	13.8
First Chicago	13.7
First Kentucky Trust	13.7
Independence Investment, Mass.	13.6
Bankers Trust (Mtg.), N.Y.	13.6
American Security, D.C.	13.6
First Interstate of Arizona	13.6
Society Nat'l, Ohio	13.6
Northern Trust, Ill.	13.5
First Variable Life (H.Q.), Ark.	13.5
Colonial American Nat'l, Va.	13.5
Pacific Financial, Calif.	13.4
Colorado Nat'l Bank	13.3
Nat'l Bank of Commerce, Neb.	13.3
Morgan Guaranty, N.Y.	13.3
Harris Trust, Ill.	13.3
NCNB Texas (Long term)	13.2
Wellington Trust (Emerg.), Mass.	13.2
First Interstate of California	13.2
Sovran Capital (Inst.), Va.	13.1
First Nat'l Mercantile (B), Mo.	13.1
Aetna Life (Shares/tot.), Conn.	13.1
SeaFirst Bank (Sea cap), Wash.	13.1
First Wachovia, N.C.	13.0
Merus Capital (Flexible), Calif.	13.0
Continental Capital Mgmt., Ill.	12.9
Marine Midland, N.Y.	12.9
Mutual of New York (Priv.)	12.8
Connecticut Nat'l Bank (Inter.)	12.8
First Wisconsin Asset	12.8
Bankers Trust (A), N.Y.	12.8
Chemical Invest. Group (1), N.Y.	12.7
Metropolitan Life (SA 41), N.Y.	12.7
Chancellor Capital, N.Y.	12.7
CIGNA Corp. (Active), Conn.	12.6
Exchange Nat'l Bank, Ill.	12.6
First Nat'l of Omaha (C), Neb.	12.6
Key Trust Co., N.Y.	12.6
IDS Trust (A), Minn.	12.6
Mellon Bond, Pa.	12.6
Chemical Bank (Active), N.Y.	12.6
Central Fidelity, Va.	12.6
Bessemer Trust, N.Y.	12.6
First Alabama	12.6
Shearson Lehman G/C Index	**12.3**

10-year returns

	%
Travelers Cos. (SA D), Conn.	16.3
United Capital Mgmt., Colo.	13.5
Beverly Trust, Ill.	13.5
Sovran Capital Mgmt. (Inst.), Va.	13.0
First Variable Life, Ark.	13.0
Boatmen's Trust, Mo.	12.9
SeaFirst Bank (Sea cap), Wash.	12.6
Pacific Financial, Calif.	12.5
American Security, D.C.	12.4
First Kentucky Trust	12.3
Life of Virginia	12.2
Texas Commerce (Active)	12.1
Fidelity Bank, Pa.	12.1
Sanwa Bank (C), Calif.	12.0
First Interstate of California	12.0
Morgan Guaranty, N.Y.	11.9
Bankers Trust (Mtg.), N.Y.	11.8
First Interstate of Arizona	11.7
Connecticut Nat'l Bank	11.7
Nat'l Westminster Bank, N.J.	11.7
Cullen Bank, Texas	11.6
First Wisconsin Asset	11.6
Central Fidelity, Va.	11.6
Hibernia Nat'l, La.	11.5
Bank of New England, Mass.	11.5
Aetna Life (Shares/tot.), Conn.	11.4
Independence Investment, Mass.	11.4
Mercantile Bank, Mo.	11.4
IAA Trust Co. (B), Ill.	11.4
Jefferson Trust, Ill.	11.4
Bankers Trust (B), N.Y.	11.3
American Nat'l Bank, Tenn.	11.3
Bankers Trust (A), N.Y.	11.3
Manufacturers Detroit	11.3
Society Nat'l, Ohio	11.2
Colonial American Nat'l, Va.	11.2
First Nat'l of Maryland	11.2
Northern Trust (Inter.), Ill.	11.2
Trustcorp Bank, Ohio	11.2
Hamilton Bank, Pa.	11.2
Second Nat'l Bank, Ohio	11.2
First Wachovia, N.C.	11.2
First Chicago	11.2
Key Trust Co., N.Y.	11.2
Shearson Lehman G/C Index	**10.8**

Top fixed funds by size

1-year returns

Over $100 million

	%
Trust Co./the West (High yield)	11.0
Signet Trust (Stable value), Va.	8.7
Hawaiian Trust (Defensive)	8.4
Trustmark Nat'l, Miss.	7.8
Equitable Capital (No. 5), N.Y.	7.4
Transamerica (SA T-2), Calif.	7.4
Boatmen's Trust, Mo.	7.3
Morgan Guaranty, N.Y.	6.9
Sovran Capital (Inst.), Va.	6.8
First Kentucky Trust	6.6

$50 million to $100 million

	%
Marine Midland, N.Y.	7.5
Life of Virginia	7.2
Bankers Trust (Gov./agen.)	7.1
Northern Trust, Ill.	7.0
Dauphin Deposit (Short), Pa.	6.7
Banc One Asset (Invt.), Ohio	6.3
Fidelity Bank, Pa.	6.2
Bankers Trust (B), N.Y.	6.0
CoreStates Invest., Pa.	5.8
Texas Commerce (Low vol.)	5.7

$10 million to $50 million

	%
Wellington Trust (Emerg.)	11.0
Bank of Delaware	9.1
Jefferson Trust, Ill.	8.6
Beverly Trust, Ill.	8.5
First Interstate of California	8.5
Delaware Trust	8.0
Chancellor Capital (Bondshift)	8.0
Sanwa Bank (C), Calif.	7.7
Cullen Bank, Texas	7.0
Norwest Bank, Minn.	6.6

Under $10 million

	%
First Variable Life, Ark.	17.9
Wellington Trust (High yield)	10.0
Sunburst Bank, Miss.	8.5
Imperial Trust, Calif.	8.4
Bank of the West, Calif.	7.7
Exchange Nat'l Bank, Ill.	6.6
Central Fidelity (Short)	6.6
Second Nat'l Bank, Ohio	6.6
Security Nat'l Bank (II)	6.4
SW Nat'l Bank of Pa. (Trust)	6.1

10-year returns

Over $100 million

	%
Sovran Capital (Inst.), Va.	13.0
Boatmen's Trust, Mo.	12.9
American Security, D.C.	12.4
First Kentucky Trust	12.3
Texas Commerce (Active)	12.1
Morgan Guaranty, N.Y.	11.9
Bankers Trust (Mtg.), N.Y.	11.8
Bank of New England, Mass.	11.5
Aetna Life (Shares/tot.), Conn.	11.4
Independence Invest., Mass.	11.4
Mercantile Bank, Mo.	11.4

$50 million to $100 million

	%
Life of Virginia	12.2
Fidelity Bank, Pa.	12.1
Nat'l Westminster Bank, N.J.	11.7
Hibernia Nat'l, La.	11.5
Bankers Trust (B), N.Y.	11.3
Bankers Trust (A), N.Y.	11.3
Manufacturers Detroit	11.3
Mellon Bond, Pa.	11.0
Bank One Wis. Trust (Inter.)	10.8
Massachusetts Mutual	10.8

$10 million to $50 million

	%
United Capital Mgmt., Colo.	13.5
Beverly Trust, Ill.	13.5
SeaFirst Bank (Sea cap)	12.6
Sanwa Bank (C), Calif.	12.0
First Interstate of California	12.0
First Interstate of Arizona	11.7
Cullen Bank, Texas	11.6
First Wisconsin Asset	11.6
IAA Trust Co. (B), Ill.	11.4
Jefferson Trust, Ill.	11.4

Under $10 million

	%
First Variable Life, Ark.	13.0
Connecticut Nat'l Bank	11.7
Central Fidelity, Va.	11.6
Colonial American Nat'l, Va.	11.2
Hamilton Bank, Pa.	11.2
Second Nat'l Bank, Ohio	11.2
Oregon Bank	10.9
Exchange Nat'l Bank, Ill.	10.7
Firstier Bank Lincoln, Neb.	10.5
First NH Investment (B)	10.2

Top quartile commingled equity funds

3-month returns

	%
Gary-Wheaton Bank (Growth), Ill.	14.3
State Street (Matrix syn.), Mass.	11.2
Chancellor (Multifact), N.Y.	11.0
Connecticut Mutual (CM)	11.0
Penn Mutual Life (SA A)	10.8
Trust Co. of the West (Strategy)	10.8
New York Life (SA 6)	10.7
First Interstate Oregon	10.6
Chase Investors (Spectrum), N.Y.	10.5
Mercantile Nat'l, Ind.	10.4
Bank One Wis. Trust (Disc.)	10.3
Stock Yards Bank (Trust), Ky.	10.2
Equitable Capital (No. 4), N.Y.	10.2
Lincoln Nat'l. (Select), Ind.	10.0
Meridian Trust, Pa.	9.9
Security Pacific (E), Calif.	9.9
Citizens Bank (Emp. B), Mo.	9.7
Boatmen's FNB Kansas City, Mo.	9.7
State Street (Value I), Mass.	9.5
Texas Commerce (Diver.)	9.4
SLH Trust (Flex growth 7), Del.	9.4
Guardian Insurance (VA 1), N.Y.	9.3
First Fidelity Bank (Disc.), N.J.	9.2
Bank of New England (Valuepath)	9.1
Independence Invest. (1L), Mass.	9.1
Capital Trust (I), Ore.	8.9
Metropolitan Life (SA 40), N.Y.	8.9
Prudential (1st Essex), N.J.	8.8
Harris Trust (Systematic), Ill.	8.8
Harris Trust, Ill.	8.8
Connecticut Bank	8.8
State Street, Mass.	8.7
Chancellor Capital, N.Y.	8.6
Continental Capital, Ill.	8.5
Markston Investment Mgmt., N.Y.	8.5
Deposit Guaranty Nat'l, Miss.	8.5
Wellington Trust (Diver.), Mass	8.4
Assoc. Bank Neenah, Wis.	8.4
First Chicago	8.4
Chancellor Capital (Index plus)	8.4
Prudential (PRIFORM-low p/e)	8.4
Nat'l Bank of Commerce, Neb.	8.4
Second Nat'l Bank, Ohio	8.4
Marine Midland, N.Y.	8.3
CNA Insurance (SA A), Ill.	8.3
First Bank Milwaukee (Collective)	8.2
First American of Georgia	8.1
Colonial American Nat'l (C), Va.	8.1
American Nat'l Chicago (Active)	8.1
Wellington Trust (Income), Mass.	8.0
Merus Capital (Growth/strat.), Calif.	8.0
Midlantic, N.J.	8.0
Summit Bank, Ind.	8.0
IDS Trust (Core growth), Minn.	7.9
Star Bank, Ohio	7.9
MTrust (Growth), Texas	7.9
First City Nat'l (Port.), Texas	7.9
Independence Invest. (1K), Mass.	7.8
American Nat'l St. Paul, Minn.	7.8
Harris Trust (Low p/e), Ill.	7.8
Provident Bank, Ohio	7.8
Texas American Bank	7.8
NCNB Texas (Growth)	7.7
Fidelity Mgmt. (Income), Mass.	7.7
MTrust (Value), Texas	7.7
IDS Trust (A), Minn.	7.7
Standard & Poor's	**7.1**

1-year returns

	%
Gary-Wheaton Bank (Growth), Ill.	32.8
United Capital, Colo.	25.8
Connecticut Mutual (CM)	25.8
U.S. Nat'l Bank, Texas	25.4
Boatmen's Trust, Mo.	23.8
State Street (Matrix syn.), Mass.	23.8
Chase Investors (Spectrum), N.Y.	23.3
Bank One Wis. Trust (Disc.)	22.9
Mercantile Nat'l, Ind.	22.9
First Chicago	22.9
Stock Yards Bank (Trust), Ky.	22.3
Merus Capital (Income), Calif.	22.1
New York Life (SA 6)	21.8
State Street (Value I), Mass.	21.7
First Nat'l Mercantile (A), Mo.	21.6
Markston Investment Mgmt., N.Y.	21.6
Second Nat'l Bank, Ohio	21.5
Crown Life (U.S. grp.), Ontario	21.3
Meridian Trust, Pa.	21.3
First Interstate Billings, Mont.	21.2
State Street, Mass.	21.1
Midlantic, N.J.	21.1
Equitable Capital (No. 1), N.Y.	21.1
Assoc. Bank Neenah, Wis.	21.1
Independence Invest. (1K), Mass.	20.9
Bank One Wis. Trust (Growth)	20.9
Colonial American Nat'l (C), Va.	20.8
Chancellor Capital (Multifact)	20.7
MTrust (Value), Texas	20.6
Equitable Capital (No. 4), N.Y.	20.6
Harris Trust (Low p/e), Ill.	20.6
LaSalle Nat'l (Instrinsic), Ill.	20.6
Gary-Wheaton Bank (Hedged), Ill.	20.5
SLH Trust (Contrarian 6), Del.	20.5
Fidelity Mgmt. (Income), Mass.	20.4
Mid-State Bank, Pa.	20.4
Wellington Trust (Income), Mass.	20.1
Summit Bank, Ind.	19.9
Jefferson Trust (Growth), Ill.	19.8
Harris Trust, Ill.	19.8
Confederation Life, Ga.	19.5
Banc One Asset. (Growth), Ohio	19.5
Wellington Trust (Divers.), Mass.	19.4
Chancellor (Stockshift 200)	19.4
American Security (High yield)	19.4
Chase Investors (Index), N.Y.	19.4
Harris Trust (Systematic), Ill.	19.4
Exchange Nat'l Bank, Ill.	19.2
First Union Nat'l (Enhanced), N.C.	19.2
Provident Capital (SA 1), Pa.	19.2
NCNB Texas	19.1
IDS Trust (Core growth), Minn.	18.9
Deposit Guaranty Nat'l, Miss.	18.9
American Nat'l St. Paul, Minn.	18.9
Independence Invest. (1L), Mass.	18.7
LaSalle Nat'l (Core), Ill.	18.7
Prudential (PRIFORM-low p/e)	18.7
Travelers Insurance (SA 500)	18.5
Security Pacific, Calif.	18.4
U.S. Nat'l Oregon (Qualivest)	18.4
Sovran Capital (Inst.), Va.	18.4
Lincoln Nat'l (Select), Ind.	18.3
State Street (S&P index), Mass.	18.3
PW Trust (Conserv.), N.J.	18.3
Bank One Wis. Trust (Income)	18.2
Wilmington Trust-Tremont (Inc.)	18.2
American Security, D.C.	18.2
Standard & Poor's	**18.1**

3-year returns

	%
First Chicago	18.2
First Fidelity Bank (Disc.), N.J.	17.3
Bank One, Indianapolis (L)	17.1
Bank One Wis. Trust (Disciplined)	16.1
State Street (Matrix syn.), Mass.	15.9
Sun Bank, Fla.	15.8
IDS Trust (Core growth), Minn.	14.4
United Capital, Colo.	14.1
Crown Life (U.S. grp.) Ontario	14.1
SLH Trust (Value 4), Del.	14.0
Merus Capital (Income), Calif.	14.0
NCNB Texas (Diverse)	13.8
Capital Trust (I), Ore.	13.8
South Carolina Nat'l	13.7
Sovran Capital (Inst.), Va.	13.6
The Phoenix, Conn.	13.6
American Nat'l St. Paul, Minn.	13.5
American Security (High yield)	13.4
Cullen Bank, Texas	13.3
Meridian Trust, Pa.	13.3
U.S. Nat'l Bank, Texas	13.1
State Street (Value 1), Mass.	13.1
Jefferson Trust (Growth), Ill.	13.1
Confederation Life, Ga.	12.9
State Street, Mass.	12.9
Dominion Trust (Corp.), Va.	12.7
State Bank (C), Ohio	12.6
First American of Georgia	12.6
Merus Capital (Growth/strat.)	12.5
Markston Invesment Mgmt.	12.4
Mutual of New York (Income)	12.3
NCNB Texas (Income)	12.3
First Nat'l Mercantile (A), Mo.	12.2
Mutual of New York (Divers.)	12.2
First Illinois (Personal)	12.2
First Alabama Bank (I)	12.1
First Fidelity Bank, N.J.	12.0
Independence Invest. (1K), Mass.	12.0
NCNB Texas	11.9
Wellington Trust (Divers.), Mass.	11.9
First Illinois (Corp.)	11.8
Gary-Wheaton Bank (Hedged), Ill.	11.8
Wellington Trust (Income), Mass.	11.8
Connecticut Mutual (CM)	11.8
Chase Investors (Index), N.Y.	11.8
Assoc. Bank Neenah, Wis.	11.7
First Interstate Oregon	11.7
College Ret. Equity Fund, N.Y.	11.6
U.S. Nat'l Oregon (Qualivest)	11.6
Southtrust Bank, Ala.	11.5
First NH Investment (A)	11.4
First Interstate of Calif. (Index)	11.3
Aetna Life (Variable), Conn.	11.3
Harris Trust (Systematic), Ill.	11.2
Travelers Insurance (SA 500)	11.2
Morgan Guaranty (Lg. co.), N.Y.	11.2
Colorado Nat'l Bank	11.2
First Nat'l of Omaha (D), Neb.	11.2
American Security, D.C.	11.2
Bankers Trust (Index), N.Y.	11.1
First Nat'l of Maryland	11.1
Morgan Guaranty, N.Y.	11.1
Standard & Poor's	**11.0**

5-year returns

	%
Sun Bank, Fla.	26.8

Continued on page 14

Top equity funds by size

1-year returns

Over $100 million

	%
First Chicago	22.9
Merus Capital (Inc.), Calif.	22.1
New York Life (SA 6)	21.8
Markston Invest. Mgmt., N.Y.	21.6
Meridian Trust, Pa.	21.3
Equitable Capital (No.1), N.Y.	21.1
Independence Invest. (1K)	20.9
Equitable Capital (No.4), N.Y.	20.6
Fidelity Mgmt. (Inc.), Mass.	20.4
Harris Trust, Ill.	19.8

$50 million to $100 million

	%
Boatmen's Trust, Mo.	23.8
Chase Investors (Spectrum)	23.3
Midlantic, N.J.	21.1
Chancellor (Multifact)	20.7
MTrust (Value), Texas	20.64
Provident Capital (SA 1), Pa.	19.2
Sovran Capital (Inst.), Va.	18.4
Lincoln Nat'l (Select), Ind.	18.3
Bank One Wis. Trust (Inc.)	18.2
First Interstate of Calif. (Index)	17.9

$10 million to $50 million

	%
United Capital Mgmt., Colo.	25.8
Connecticut Mutual (CM)	25.8
U.S. Nat'l Bank, Texas	25.4
State Street (Matrix syn.)	23.8
Banc One Wis. Trust (Disc.)	22.9
State Street (Value 1)	21.7
First Nat'l Mercantile (A), Mo.	21.6
Crown Life (U.S. grp.), Ontario	21.3
State Street, Mass.	21.1
Assoc. Bank Neenah, Wis.	21.1

Under $10 million

	%
Gary-Wheaton (Growth), Ill.	32.8
Mercantile Nat'l, Ind.	22.9
Second Nat'l Bank, Ohio	21.5
Colonial American Nat'l (C)	20.8
Gary-Wheaton (Hedged), Ill.	20.5
Wellington Trust (Divers.)	19.4
American Security (High yield)	19.4
Exchange Nat'l Bank, Ill.	19.2
IDS Trust (Core growth), Minn.	18.9
Prudential (PRIFORM-low p/e)	18.7

10-year returns

Over $100 million

	%
Sun Bank, Fla.	23.2
First Union, N.C.	20.4
Merus Capital (Inc.), Calif.	19.6
U.S. Nat'l Oregon (Qualivest)	19.4
Provident Capital, Pa.	19.0
The New England (Sep. gro.)	19.0
Equitable Capital (No. 4), N.Y.	19.0
MTrust (Growth), Texas	18.8
Bessemer Trust, N.Y.	18.3
Manufacturers Detroit	18.0

$50 million to $100 million

	%
NCNB Texas (Diverse)	18.4
MTrust (Value), Texas	18.4
Merus Capital (Growth/strat.)	18.1
Texas Commerce (Diverse)	17.1
Sovran Capital (Inst.), Va.	17.1
The Phoenix, Conn.	17.0
Mercantile Safe, Md.	17.0
Chase Investors (Spectrum)	16.7
Boatmen's Trust, Mo.	16.3
Bank One Wis. Trust (Inc.)	16.2

$10 million to $50 million

	%
First Fidelity (Disc.), N.Y.	20.3
United Capital, Colo.	20.2
Guardian Insurance (VA 1)	19.9
U.S. Nat'l Bank, Texas	19.3
Confederation Life, Ga.	18.5
Citizens Bank (Emp. B), Mo.	18.3
State Street, Mass.	18.3
First Nat'l of Omaha (D), Neb.	18.0
Connecticut Mutual (CM)	17.9
Dauphin Deposit (Corp.), Pa.	17.7

Under $10 million

	%
First NH Investment (A)	19.2
First Interstate Oregon	18.3
Aetna Life (Variable), Conn.	17.8
Prudential (PRIFORM-low p/e)	17.5
Wheeling Dollar Bank, W. Va.	17.3
Bankers Trust (Index), N.Y.	16.6
Merchants Nat'l (2), Ind.	15.7
Puget Sound Nat'l, Wash.	15.7
Second Nat'l Bank, Ohio	15.4
First Nat'l of Commerce, La.	15.3

NEWS BRIEFS

Ohio board selects 3

COLUMBUS, Ohio — The State Board of Deposit for Ohio has designated three Ohio banks to serve as depositories for the state's five retirement systems.

The Board of Deposit, headed by Treasurer Mary Ellen Withrow, is required every two years to designate financial institutions in Ohio's Franklin County to act as depositories for the state's active and interim funds and those of the state pension systems. The choice is made on cost, performance history and service availability, according to Leesa Brown, Ms. Withrow's spokeswoman.

Selected were: Ameritrust Co. for the state's $2.6 billion Police and Firemen's Disability and Pension Fund and the $2.4 billion School Employees Retirement System; Bank One, for the $16.4 billion Public Employees' Retirement System and $15.3 billion State Teachers Retirement System; and Huntington National Bank, for the $160 million State Highway Patrol Retirement System.

Insurers avoid woes

NEW YORK — Most life insurance companies have prudently managed their exposure to leveraged buy-out financings, and the industry's exposure to buy-outs is reasonable relative to capital levels, according to a Special Comment report by Moody's Investors Service, the bond rating agency.

Life insurers have been drawn to higher-yield, lower-quality investments like leveraged buy-outs to offset lower returns and narrower profit margins on the more competitive products offered in the industry during the past decade, the report said.

Of the 10 life insurance companies sampled, seven had only about 1% to 2% of their invested assets in leveraged buy-outs, representing about 25% to 35% of the capital in the sample. Although Equitable Life Assurance Society of the United States, New York, and the Prudential Insurance Co. of America, Newark, N.J., have significant exposure to leveraged buy-out investments — 3.5% and 6.2% respectively as of Sept. 30 — the Moody's report said the two insurers "maintain competitive advantages in their ability to provide LBO financings to the market and have developed strong reputations in directly structuring LBO deals."

Moody's is concerned about the long-term uncertainty associated with leveraged buy-out exposure under difficult economic conditions.

Life insurers' participation in buy-outs can take the form of directly placed lending, investing in limited partnership funds or unintentional participation through event risk of corporate bond holdings.

Social index available

CAMBRIDGE, Mass. — Peter D. Kinder & Co., a research firm that monitors corporate social responsibility, has developed a socially screened stock index that it says will show a high degree of correlation with the Standard & Poor's 500 Stock Index.

The index, called the Weighted Social Index, comes out of a year-long study of the feasibility of indexing stocks screened for a broad range of social constraints. The firm selected stocks for the index on the basis of their corporate accountability profiles.

No company with South African operations qualified for the index, nor did any company that receives more than 4% of its sales from weapons, alcoholic beverages, tobacco, gambling or the nuclear power industry.

The screening also was set up to give preference to companies with records of positive action on environmental concerns, manufacturing methods, employee relations and programs and corporate citizenship.

The companies were selected from the S&P 500 and the next 500 largest corporations; the social index ended up with 403 stocks. On a market-weighted basis, nearly 88% of the index is made up of companies from the S&P 500.

As of Dec. 31, the index had total market capitalization of $898.2 billion, compared with $1.9 trillion for the S&P 500. On a market-weighted basis, the average issue in the index had capitalization of $10.7 billion, compared with $13.8 billion for the average S&P 500 issue.

For the five years ended Dec. 31, the social index had a compound annual return of 21.4%, outperforming the S&P 500's 15.3%.

Sanwa launches unit

The Sanwa Bank Ltd. of Japan has begun operations of Sanwa Bank Trust Co. of New York.

Sanwa Bank Trust Co., a wholly owned subsidiary of the parent, offers trustee, agency and custody services to corporate clients. Takeo Sakai, director and general manager of Sanwa Bank's New York branch, was named president.

Exec takes new job

BIRMINGHAM, Ala. — Dennis R. Plyler has joined Birmingham Steel Corp. as director of corporate planning.

Mr. Plyler was employed by Arthur Young & Co., where he was a senior tax manager on the Birmingham Steel account.

In the newly created position, Mr. Plyler will report to Phillip E. Casey, executive vice president and chief financial officer. Mr. Plyler will be involved in defining the strategic direction of the steel-producing company and in mergers, acquisitions and other special projects. He also will oversee investments of the company's profit-sharing plan and certain employee benefits programs.

Roberts is promoted

NEW YORK — Dan C. Roberts has been named managing director of the fixed-income group at Chase Investors Management Corp., New York. He replaces H. Dean Benner who left CIMC to pursue other interests.

Mr. Roberts previously was a managing director and member of the investment policy committee of Chase Investors, and before that was head of global interest rate and currency swaps trading at the firm. He also has been chief of staff of the Joint Economic Committee of the U.S. Congress and financial economist with the President's Council of Economic Advisors.

Chandor in new job

BOSTON — Karen Chandor, who has been vice president of marketing and client services at Gardner and Preston Moss Inc. for 12 years, joined Standish, Ayer & Wood Inc.

Ms. Chandor, a past president of the Association of Investment Marketing and Sales Executives, will be vice president and co-director of marketing and client services with Richard C. Doll.

Standish, Ayer & Wood has $8 billion under management, $4.2 billion for tax-exempt clients. Gardner and Preston Moss has about $3 billion under management, most of it for tax-exempt clients.

Ms. Chandor said she would be involved in marketing to Standish's full range of taxable and tax-exempt clients. She said her responsibilities at Gardner and Preston Moss will be shared by three current executives — Matthew Spinale, Nancy Follansbee and Jeff Gallahue, all vice presidents.

Firm's name altered

ASHEVILLE, N.C. — G. Waring Boys Co. Inc. has changed its name to Boys, Arnold & Co. Inc., said G. Waring Boys, president.

The name change recognizes the contribution that Thomas Arnold, senior vice president, has made to the firm, Mr. Boys said.

The firm, a balanced manager, runs $185 million, of which 55% is tax exempt. Clients are primarily in the Southeast.

Continued from page 13

State Bank (C), Ohio	22.3
IDS Trust (Core growth), Minn.	21.8
State Street (Value I), Mass.	21.4
NCNB Texas (Diverse)	21.1
Merus Capital (Income), Calif.	20.9
Guardian Insurance (VA 1), N.Y.	20.8
Harris Trust (Systematic), Ill.	20.6
Pioneer Bank, Ill.	20.4
Bank One Wis. Trust (Disciplined)	20.2
Assoc. Bank Neenah, Wis.	19.9
First Chicago	19.9
First NH Investment (A)	19.7
Barnett Banks, Fla.	19.5
Morgan Guaranty (Lg. co.), N.Y.	19.3
First Interstate Oregon	19.3
Capital Trust (I), Ore.	19.2
Sovran Capital (Inst.), Va.	19.1
U.S. Nat'l, Texas	19.1
Cullen Bank, Texas	19.1
SLH Trust (Value 4), Del.	19.1
First Fidelity Bank (Disc.)	19.0
Independence Invest. (1K), Mass.	19.0
Puget Sound Nat'l, Wash.	19.0
Crown Life (U.S. grp.), Ontario	18.9
State Street, Mass.	8.9
Chancellor Capital (Multifact)	18.8
Manufacturers Detroit	18.8
Dominion Trust (Corp.), Va.	18.7
Meridian Trust, Pa.	18.7
Wellington Trust (Diverse), Mass.	18.6
Merus Capital (Growth/strat.)	18.5
Mellon Equity Assoc., Pa.	18.5
First Fidelity Bank, N.J.	18.5
Summit Trust, N.J.	18.5
American Nat'l Chicago (Active)	18.4
Chancellor Capital (Index plus)	18.3
NBD Trust, Ill.	18.3
Independence Invest. (1L), Mass.	18.2
First Nat'l of Omaha (D), Neb.	18.2
MTrust (Value), Texas	18.2
Mutual of New York (Income)	18.2
IDS Trust (A), Minn.	18.1
Prudential (1st Essex), N.J.	18.1
Bank of New England (Valuepath)	18.1
Aetna Life (Variable)	18.0
First American of Georgia	17.9
Continental Bancorp, Pa.	17.9
SLH Trust (Flex growth 7), Del.	17.9
Frost Nat'l (A), Texas	17.8
Harris Trust, Ill.	17.8
Colorado Nat'l Bank	17.8
Nat'l Westminster Bank, N.J.	17.8
First Nat'l of Maryland	17.8
Summit Bank, Ind.	17.8
First Illinois (Corp.)	17.8
Standard & Poor's	**17.5**

10-year returns

	%
Sun Bank, Fla.	23.2
First Union Nat'l Bank, N.C.	20.4
First Fidelity Bank (Disc.), N.J.	20.3
United Capital, Colo.	20.2
Guardian Insurance (VA 1), N.Y.	19.9
Merus Capital (Income), Calif.	19.6
U.S. Nat'l Oregon (Qualivest)	19.4
U.S. Nat'l Bank, Texas	19.3
First NH Investment (A)	19.2
Provident Capital, Pa.	19.0
The New England (Sep. growth)	19.0
Equitable Capital (No. 4), N.Y.	19.0
MTrust (Growth), Texas	18.8
Confederation Life, Ga.	18.5
NCNB Texas (Diverse)	18.4
MTrust (Value), Texas	18.4
First Interstate Oregon	18.3
Citizens Bank (B), Mo.	18.3
Bessemer Trust, N.Y.	18.3
State Street, Mass.	18.3
Merus Capital (Growth/strat.)	18.1
First of Omaha (D), Neb.	18.0
Manufacturers Detroit	18.0
Connecticut Mutual (CM)	17.9
Aetna Life (Variable), Conn.	17.8
First Fidelity Bank, N.J.	17.7
Massachusetts Mutual	17.7
Dauphin Deposit (Corp.), Pa.	17.7
Markston Investment Mgmt., N.Y.	17.7
Lake Shore Nat'l, Ill.	17.6
C&S Trust Florida	17.6
Prudential (PRIMFORM-low p/e)	17.5
Colorado Nat'l Bank	17.5
Nat'l Bank of Commerce, Neb.	17.5
American Nat'l Chicago (Active)	17.5
Citytrust (E1), Conn.	17.4
Wheeling Dollar Bank, W. Va.	17.3
Continental Bancorp, Pa.	17.3
Employers Life of Wausau (SA 1)	17.3
The Principal, Iowa	17.2
CoreStates Investment, Pa.	17.1
Texas Commerce (Diverse)	17.1
Sovran Capital (Inst.), Va.	17.1
Penn Mutual Life (SA A), Pa.	17.0
Dominion Trust (Corp.), Ba	17.0
The Phoenix, Conn.	17.0
Mercantile Safe, Md.	17.0
Standard & Poor's	**16.4**

Haziness holds

Continued from page 11

Beverly Bank & Trust Co., Chicago, finished in the top decile for the one-, three-, five- and 10-year periods, with returns of 8.49%, 9.64%, 15.11% and 13.46%, respectively.

Ron Stajkowski, president of Beverly Trust Co., a subsidiary of Beverly Bank, said the $11 million portfolio is weighted toward high-coupon securities with average calls of five to seven years.

He said the portfolio strategy will be to "stay with high coupon securities. In the event of an interest rate reversal, it will give me protection on the downside and high coupon instruments give me those monies to reinvest.

"I believe interest rates have peaked and we will be looking at rates considerably lower by year end . . . I expect monetary policy to remain tight, and the Fed won't move to lower rates until at least June. I expect the Bush administration to act responsibly on the budget. Whether he calls it raising taxes or revenue enhancement the budget must be balanced. There's too much at stake not to." ■

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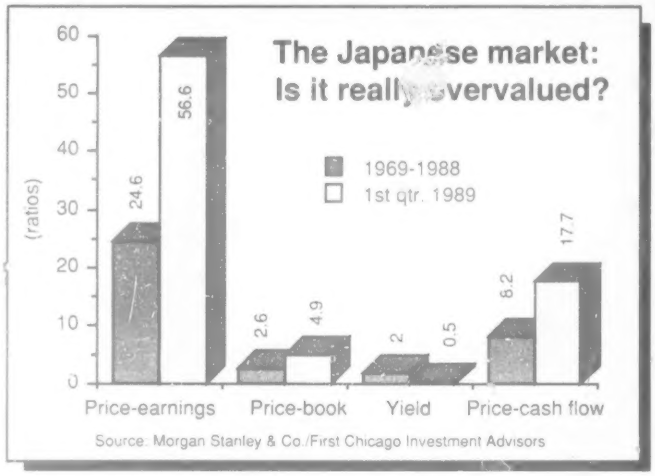
A question of value

Japanese market still perplexes experts

By Curtis Vosti



Source: Morgan Stanley & Co./First Chicago Investment Advisors

By discounting comparisons with other countries and looking only at the Japanese market, some believe it has become overvalued in historical terms and should be watched closely.

The negative first-quarter return in the Japanese market has fueled the continuing argument about overvaluation.

"Japan is sort of near its highs," said Michael Perelstein, international analyst for First Chicago Investment Advisors, Chicago. "Other markets have surpassed it."

Is it overvalued? "The answer is in the eye of the beholder," said Andrew Rudd, president of BARRA, the Berkeley, Calif., international investment consultant.

"On a Western, fundamental mode of valuation, unadjusted, the answer is an unqualified yes," said Wally Wormley, managing director of PCM International, Newark, N.J.

"By sticking to value, you can still make money even though the market as a whole is expensive," said Justin Donegan, vice president of UBS-Phillips & Drew International Investment Ltd., London.

The Tokyo Stock Exchange returned a U.S. dollar-adjusted −1.5% for the first quarter, according to The World Markets Co. Ltd., Edinburgh, Scotland, compared with the Morgan Stanley Capital International Europe Australia Far East Index's return of 0.33%, according to Pension and Investments' Performance Evaluations Report.

The Japanese market accounts for 64.6% of EAFE, according to Morgan Stanley & Co., New York. EAFE, without Japan, returned 0.8% in U.S. dollars with net dividends reinvested.

While the Japanese market has been one of the best performing markets for several years, money managers, by and large, have been underweighted compared to the EAFE weighting in part because of fears the market was overvalued. A recent survey of 101 international managers by The World Markets indicated the average Japanese weighting was 35.9%.

Price-earnings ratios, one standard measure for valuation, stood at 54.6 for Japan as of March 31, compared with 12.4 for the Standard & Poor's 500 Stock Index.

"For many Westerners, the Japanese market is overvalued, has been overvalued and, indeed, may get more overvalued," Mr. Rudd said. But to the Japanese, it may be undervalued given their overseas investment restrictions and comparisons to the local real estate market, he added.

Officials of UBS-Phillips think there is much value remaining in the Japanese market. They recently conducted a whirlwind tour of San Francisco, Chicago and New York to promote "value investing in Japan."

They discount the p/e comparisons in part because of accounting and depreciation differences among the Japanese and other countries.

"The price-earnings ratio is high, but the accounting differences have the effect of underestimating Japanese profits," Mr. Donegan said.

Japanese profits "conservatively speaking" are probably between 30% and 50% higher than reported, according to Lynn How, UBS-Phillips director.

And those earnings should continue, according to Ms. How, because Japanese companies and labor have shown a remarkable ability to shift gears in the face of adversity.

But that not enough for Kemper-Murray Johnston International Inc., Glasgow, Scotland and Chicago. Despite seeing value in construction and retail, the firm does not "see a compelling reason" to be weighted more than 25.3% in Japan.

According to First Chicago's Mr. Perelstein, a more appropriate measure than adjusting for accounting differences is comparing the Japanese market to its historical ratios.

In this light, he said, the current ratios are more than twice the Japanese historical average for the past 20 years. "Regardless of what fundamentally based measure of value you use, Japan comes up badly," Mr. Perelstein said.

For example, using yield, the Japanese market averaged a 0.5% yield in the first quarter, compared to an S&P average of 3.7%.

Mr. Perelstein said, however, the Japanese market has continued to rise despite what he thinks is questionable value because of the tremendous liquidity, fueled by trade surpluses, an appreciating yen and an expansive monetary policy. He said this could

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Third World promises luring few

By Margaret Price

In 1988, Brazil's stock market rocketed 131% in U.S. dollar terms, South Korea's soared 116% and Mexico's market vaulted 108%.

The momentum has continued this year, as at least some Third World markets seemed unable to cool down. The Brazilian market, for instance, jumped 100% in the first quarter, according to data from the International Finance Corp., a Washington unit of the World Bank.

Investment in emerging markets also has been escalating. According to the IFC, roughly $4 billion was invested in 30 to 40 emerging markets' country funds at year-end 1988; that was up from virtually zero at the end of 1985. Institutions in Europe, North America and Japan accounted for most of the total, according to the IFC, although it had no exact figures.

Clearly, those investing in the Third World have had reason to be pleased.

The more than $350 million Emerging Markets Growth Fund, a closed-end fund managed by Capital International Inc., Los Angeles, with 18 institutional investors, has a compound annual return of 39.5% since its premiere in June 1986, said David Fisher, president.

The 19-month-old Equity Fund of Brazil of Batterymarch Financial Management, Boston, grew 200% in assets since its inception, said Jack Arena, a Batterymarch trustee. He would not provide annualized figures. It has fewer than 10 institutional investors.

Few U.S. pension funds, however, have partaken in this bounty. Although no formal counts are available, consultants say only a limited number of U.S. pension funds — and of these, mostly only the largest — now invest in emerging markets.

The World Bank's approximately $2.9 billion pension fund has been investing in emerging markets since 1984. But while allocations to that sector have been growing, the assets committed still represent 1% or less of the fund's total assets, reported Kelda Caldwell, chief-investment control unit.

That small allocation "doesn't have a major impact" on the Washington-based fund's total return, said Ms. Caldwell. She had no performance figures for the emerging markets portion of the portfolio, and did not identify in which markets the fund invests.

Ms. Caldwell said the fund invests in emerging markets because of the expanding size of the markets; additional opportunities for diversification; attractive returns; and "to be ahead of the crowd."

Marsh & Cunningham-Castegren International, Boston, for the past few years has invested a small amount in emerging markets on behalf of its seven clients, including the pension funds of Owens-Illinois Inc., General Electric Co. and the Campbell Soup Co. Hakan Castegren, principal, said about 12.6% of the assets are in the emerging markets of Portugal, Brazil, Korea, Singapore and Malaysia.

Marsh & Cunningham-Castegren has $300 million under management, of which $235 million is tax exempt.

But for the bulk of pension funds, emerging markets investments will be an event of the future — if it occurs at all. While many investors and money managers would delight in finding what some call the "next Japan," many remain wary of the risks in-

Continued on page 18

TPF&C to receive global data

NEW YORK — The consulting firm TPF&C has reached an agreement with The World Markets Co., Edinburgh, Scotland, to purchase WM's performance data on international and global fixed-income money managers worldwide.

The deal is not an exclusive arrangement with TPF&C, but it is WM's first venture providing any client with calculated returns on a universe of international and global money managers, said Linda McPherson, WM's vice president and U.S. marketing manager.

TPF&C will receive information on all managers in WM's data base, which now totals about 50 managers worldwide. Data will include managers' rates of return as well as returns delineated by three factors: currency movements; a particular market's activity; and individual security selection, said Roger Bransford, TPF&C's national director of asset consulting in Atlanta.

TPF&C will not receive the names of investor-clients of the money managers in WM's data base.

The WM deal expands TPF&C's sources of performance information.

Last year, TPF&C began obtaining data on domestic money managers' returns from two firms: CDA Investment Technologies Inc. of Rockville, Md., which is providing TPF&C with investment managers' pooled and mutual funds performances; and Plan Sponsor Network Inc. of Port Chester, N.Y., which is furnishing investment counseling firms' returns, Mr. Bransford said.

For WM, the TPF&C deal offers an attractive promotional opportunity. While TPF&C "is not in competition with us and doesn't plan to set up a universe of international money managers' performances to compete with us," it ultimately "will be selling our performance measurements services to its clients," said Ms. McPherson. ■

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Promises lure

Continued from page 17

volved in dealing with the Third World. Among the problems: political and economic uncertainties; liquidity problems; legal constraints on foreign investments; and the paucity of reliable information about public companies in some regions.

Moreover, emerging markets apparently have a limited number of champions. Relatively few international money managers are aggressively exploring investment opportunities in places such as Chile, Argentina, Jordan or the Philippines.

Consultants' enthusiasm about Third World investments generally is slight. On one hand, the Frank Russell Co., Tacoma, Wash., recommends clients allocate 5% of their international assets to emerging markets — which would still be a minuscule amount of total pension fund assets. Even that recommendation, however, "depends on clients' objectives," said Gunter Ecklebe, senior vice president at Frank Russell, who pointed out such investments would be "long-term strategic views" on these markets.

Few, if any, other consultants recommend asset allocations for emerging markets. Christopher A. Nowakowski, president of Stamford, Conn.-based InterSec Research Corp., echoed the prevailing view when he said there is "more smoke than fire" in terms of investor interest in emerging markets. "Neither pension fund officers nor money managers fall head over heels for things that are new and different," he said. "It will take them awhile to become comfortable with emerging markets' attractions."

To date, consultants say, pension funds investing in Third World markets usually have used pooled funds or specific country funds, such as Batterymarch's Brazil fund or the Korea fund of Scudder, Stevens & Clark, New York.

While "money managers are looking at this area," Lou Ann Dolan, principal with William M. Mercer Meidinger Hansen Asset Planning Inc., New York, said so far about 10 to 15 international money managers have discussed emerging market investing with her, and she expects only a small percentage of those who explore the area "will jump into it."

Ms. Dolan believes one deterrent is the inability to follow many more markets besides those within the Morgan Stanley Capital International Europe Australia Far East Index.

But will investors and money managers miss the boat by holding off on emerging markets? Already, some markets are showing signs of cooling — albeit from torrid growth rates.

In Asia, where markets have been more popular with foreign institutions, strong economies have been the clear attraction. And in that area, some economic slowing is expected.

In Thailand, a 9.5% gain in the gross domestic product is predicted this year to follow 1988's 10.5% increase, according to estimates by officials of the brokerage firm Burns Fry Hoare Govett Inc., New York.

The firm also forecasts that in South Korea, the GDP is expected to slip to 8.5% this year from 11.5% in 1988 and 11% in 1987. In Singapore, the GDP increase is expected to be 6%, down from 11% in 1988 and 8.8% in '87.

Vincent Ma, an assistant vice president at Burns Fry Hoare Govett, believes this data should encourage institutions to invest sooner rather than later in such markets. In his view, "a slight cooling in (such markets') economies suggests investors should get into these markets as early as possible." ■

Japan

Continued from page 17

change as policies are reversed.

PCM's $300 international portfolio has a 48% weighting in Japan. "We're still able to find good values in the market," Mr. Wormley said.

But, "Even by our own adjustments, there are still many overvalued companies, which makes a smaller subset from which to pick stocks," he added.

The higher number of good value stocks in the Japanese market are from the small-capitalization businesses, he said.

Mr. Donegan agrees.

"There's a minefield of value on that second section," he said, referring to the portion of the Tokyo exchange that trades small-cap stocks. For example, he said, a company like **Glory Kogyo** will benefit from the changing Japanese society.

The company makes the equipment that forms the guts of automated teller machines, he said, and stands to gain from a 50% market share as the Japanese move toward widespread use of "pre-paid cards."

But First Chicago's Mr. Perelstein is not impressed.

"It's usually a bad sign if you have to look past the top 1,000 issues for value," he said.

"If Japan was just the second section (of the Tokyo market), it would not be an important market."

But Mr. Rudd said the typical American view has a bias to it. "Because there is very little exterior investment in Japan (foreigners account for about 3%), what Westerners think is largely irrelevant in the scheme of things," he said.

"The United States tends to think the market is overvalued across the board, but Europeans less so. Europeans have less of a process-driven way of looking at the market. It is not viewed so much as indices and benchmarks. They are more research oriented, almost a venture capital mentality."

"The real message, is that it is difficult to talk about Japan as being overvalued in absolute terms. Everything's relative," Mr. Rudd said.

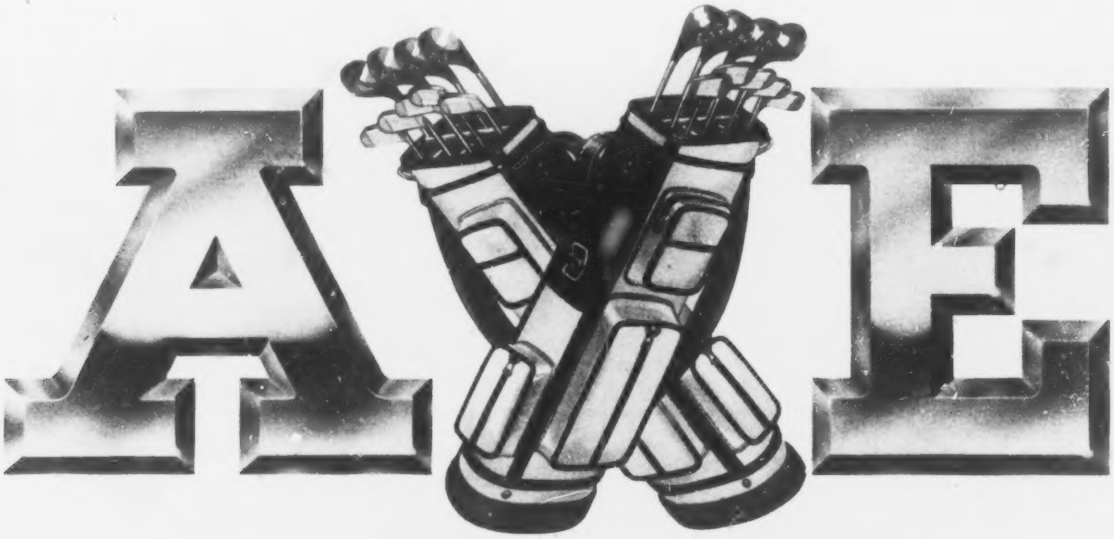
Mr. Wormley said you have to look at all factors driving the market.

"Japan continues to be in the enviable position of greater demand than supply of securities," he said. Tremendous cash flows from insurance companies, banks, pension funds and personal savings coincide with a period of few additional stock offerings.

"These keep driving the prices up," he said. "Plus the additional foreign purchases gives great upside pressure. These are the so-called technical demand factors.

"Anyone who looks at just fundamental valuations is treading on very treacherous ground," he said.

"The technicals are important." ■



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Continued from page 3

side money managers. And an investment structure was created to permit the National Government Employees' fund to use outside money managers without having to change any laws, explained Mr. Booher.

In the Netherlands, legal restraints against foreign investment by Algemeen Burgerlijk Pensioenfonds were lifted in 1988, allowing the public employee fund to invest up to 5% of its assets abroad. At year-end 1988, the fund had less than 1% of assets invested abroad, but that figure has risen somewhat since then and is steadily increasing, said Jean Fryns, head of investment policy for the fund. The objective is to have 2.5% of total assets in foreign equities and 2.5% in foreign real estate.

Nonetheless, the fund remains a conservative investor, mainly in fixed income.

Meanwhile, the Dutch fund and the two largest Japanese pension funds have avoided being pacesetting investors in their own countries. "Their diversification was in reaction to the more aggressive investment policies of other large pension funds in their country — which had also been fairly conservative until recent years," said Mr. Booher.

Such stodginess, however, is not common among large U.K. pension funds. For example, the $19.5 billion British Coal Staff Superannuation Scheme and the Mineworkers' Pension Scheme — which InterSec puts at $17.2 billion — have approximately 63% of their assets invested in equities, of which about 13% is in Germany, Japan, the United States and a small amount in France, said Paul Whitney, chief executive of CIN Management Ltd., the wholly owned unit of British Coal that manages its pension funds.

The remainder of the funds' asset allocation: about 14% in U.K. gilts, approximately 13% in U.K. real estate and the remainder in inflation-indexed securities issued by the British government, U.S. property, venture capital and cash, said Mr. Whitney.

The funds' exposure has changed modestly over the past two years. In the U.K. property area, the funds have been concentrating on redevelopment and refurbishing.

In what some consider the more "aggressive" areas, the funds lifted their venture capital exposure to a still-modest 3%. Over the past 18 months, the funds boosted the equity allocation by between 5 percentage points and 6 percentage points to the 63% mark, with half of the increased allocation targeted for non-U.S. stocks.

"We are looking for more opportunity in Japan and in newer Pacific Basin markets, particularly Hong Kong and Singapore," Mr. Whitney said.

The British Telecommunications PLC Staff Superannuation plan — put at $16.4 billion by InterSec, but which the fund says was roughly $17.12 billion as of the end of March at current exchange rates — has 51% invested in U.K. equities, and 10% in non-U.K. stocks.

That allocation is all the more impressive given the fact that the British Telecom fund was closed to new participants as of the end of March 1986. The company created a new fund for new participants. ■

P&I Age/InterSec World 300

51.	Barclays Bank	U.K.	8,300
52.	U S WEST	U.S.	8,133
53.	Virginia Supplemental	U.S.	8,041
54.	Teamsters, Western	U.S.	8,000
55.	Pa. Employes	U.S.	7,967
56.	Eastman Kodak	U.S.	7,825
57.	Exxon	U.S.	7,609
58.	Colorado Employees	U.S.	7,591
59.	Georgia Teachers	U.S.	7,525
60.	Sears, Roebuck	U.S.	7,176
61.	U.N. Joint Staff	U.S.	7,146
62.	Lockheed	U.S.	7,113
63.	Illinois Teachers	U.S.	7,043
64.	Alabama Systems	U.S.	7,000
65.	United Technologies	U.S.	7,000
66.	Southwestern Bell	U.S.	6,961
67.	British Petroleum	U.K.	6,900
68.	British Steel	U.K.	6,900
69.	Imperial Chemicals	U.K.	6,700
70.	Shell Oil	U.S.	6,686
71.	Tenn. Consolidated	U.S.	6,643
72.	Allied-Signal	U.S.	6,609
73.	McDonnell Douglas	U.S.	6,462
74.	Arizona State	U.S.	6,429
75.	Nat'l Westminster	U.K.	6,400
76.	NSW State Authorities	Australia	6,400
77.	Connecticut Trust Funds	U.S.	6,236
78.	Shell	U.K.	6,200
79.	South Carolina	U.S.	6,009
80.	Canadian Nat'l Railways	Canada	5,700
81.	Bouwnijverheid BPF	Netherlands	5,500
82.	British Airways	U.K.	5,500
83.	Royal Dutch Shell	Netherlands	5,500
84.	Chevron	U.S.	5,460
85.	Commonwealth Banking	Australia	5,400
86.	Deutscher Bank	W. Germany	5,300
87.	Lloyds Bank	U.K.	5,300
88.	Prudential Insurance	U.S.	5,276
89.	Hughes Aircraft	U.S.	5,136
90.	Texas Employees	U.S.	5,108
91.	General Dynamics	U.S.	5,000
92.	Westinghouse Electric	U.S.	4,800
93.	UMWA	U.S.	4,700
94.	Bell Canada	Canada	4,500
95.	Missouri Public School	U.S.	4,500
96.	Philip Morris	U.S.	4,500
97.	Chrysler	U.S.	4,414
98.	Unilever	U.K.	4,300
99.	Unisys	U.S.	4,281
100.	Lonmodiagemes	Denmark	4,200
101.	Metaalindustrie BPF	Netherlands	4,200
102.	Caterpillar	U.S.	4,138
103.	SFIT	Australia	4,100
104.	Amoco	U.S.	4,014
105.	British Broadcasting	U.K.	4,000
106.	Mass. Teachers/Empl.	U.S.	4,000
107.	Metaalnijverheid BPF	Netherlands	4,000
108.	Neder. Spoorwegen	Netherlands	4,000
109.	Monsanto	U.S.	3,990
110.	Mobil Oil	U.S.	3,880
111.	Bayerische	W. Germany	3,800
112.	Iowa Public Employees	U.S.	3,800
113.	Strathclyde Regional	U.K.	3,800
114.	Water Authorities	U.K.	3,800
115.	Merchant Navy	U.K.	3,700
116.	Hospitals of Ontario	Canada	3,600
117.	Lucas Industries	U.K.	3,600
118.	Illinois Municipal	U.S.	3,591
119.	All Japan Mutual Credit	Japan	3,500
120.	British Aerospace	U.K.	3,500
121	Greater Manchester	U.K.	3,500
122.	Hawaii Employees	U.S.	3,495
123.	Alaska State Retirement	U.S.	3,476
124.	Ford Motor	U.K.	3,400
125.	Midland Bank	U.K.	3,400
126.	Migros Bank	Switzerland	3,400
127.	RJR Nabisco	U.S.	3,387
128.	Mississippi Employees	U.S.	3,336
129.	San Francisco Empl.	U.S.	3,322
130.	Canadian Pacific	Canada	3,300
131.	Rover Group	U.K.	3,300
132.	United Air Lines	U.S.	3,300
133.	Pacific Gas & Electric	U.S.	3,299
134.	Delta Air Lines	U.S.	3,296
135.	Detroit Systems	U.S.	3,291
136.	Utah State Retirement	U.S.	3,205
137.	SBB	Switzerland	3,200
138.	Kansas Employees	U.S.	3,175
139.	Metropolitan Life	U.S.	3,120
140.	Procter & Gamble	U.S.	3,102
141.	American Airlines	U.S.	3,100
142.	Ontario Hydro	Canada	3,100
143.	Prudential	U.K.	3,100
144.	Illinois State Universities	U.S.	3,080
145.	Nat'l Elec. Contractors	U.S.	3,045
146.	Baugewerbe ZVK	W. Germany	3,000
147.	Chicago Teachers	U.S.	2,981
148.	Northrop	U.S.	2,979
149.	Atlantic Richfield	U.S.	2,977
150.	Georgia Employees	U.S.	2,945
151.	Indiana Employees	U.S.	2,927
152.	Dow Chemical	U.S.	2,924
153.	United Methodist	U.S.	2,903
154.	Bayer AG	W. Germany	2,900
155.	General Electric	U.K.	2,900
156.	London Residuary Body	U.K.	2,900
157.	Alcoa	U.S.	2,892
158.	Kentucky Teachers	U.S.	2,840
159.	Louisiana Teachers	U.S.	2,833
160.	Martin Marietta	U.S.	2,829
161.	Grumman	U.S.	2,810
162.	Atomic Energy Authority	U.K.	2,800
163.	West Midlands Metro.	U.K.	2,800
164.	Textron	U.S.	2,792
165.	L.A. Fire/Police	U.S.	2,774
166.	Texaco	U.S.	2,772
167.	Xerox	U.S.	2,724
168.	Bethlehem Steel	U.S.	2,722
169.	Minn. Mining & Mfg.	U.S.	2,703
170.	Illinois Board	U.S.	2,700
171	Imperial Group	U.K.	2,700
172.	West Yorkshire	U.K.	2,700
173.	World Bank	U.S.	2,687
174.	Nevada Employees	U.S.	2,682
175.	J.C. Penney	U.S.	2,663
176.	Ohio Police & Firemen	U.S.	2,614
177.	ITT	U.S.	2,611
178.	State Farm Insurance	U.S.	2,601
179.	B.C. Municipal	Canada	2,600
180.	B.C. Public Service	Canada	2,600
181.	Southern Co. Services	U.S.	2,600
182.	Consolidated Edison	U.S.	2,549
183.	Tenneco	U.S.	2,542
184.	Honeywell	U.S.	2,539
185.	Hoechst AG	W. Germany	2,500
186.	Kentucky Systems	U.S.	2,500
187.	KLM	Netherlands	2,500
188.	TVA	U.S.	2,500
189.	Raytheon	U.S.	2,430
190.	Ohio School Employees	U.S.	2,416
191.	IBM Deutschland	W. Germany	2,400
192.	Massachusetts PRIM	U.S.	2,364
193.	Coop Schweiz	Switzerland	2,300
194.	Deere	U.S.	2,300
195.	Hydro Quebec	Canada	2,300
196.	Sulzer Brothers	Switzerland	2,300
197.	Owens-Illinois	U.S.	2,286
198.	Fed. Retirement Thrift	U.S.	2,271
199.	Int'l Paper	U.S.	2,252
200.	Aetna Life & Casualty	U.S.	2,242
201.	Southern Baptist	U.S.	2,223
202.	Akzo	Netherlands	2,200
203.	Allied-Lyons	U.K.	2,200
204.	Hitachi	Japan	2,200
205.	London Regional Trans.	U.K.	2,200
206.	Rolls Royce	U.K.	2,200
207.	Los Angeles City	U.S.	2,193
208.	Boilermaker Blacksmith	U.S.	2,128
209.	Southern Calif. Edison	U.S.	2,104
210.	Trans World Airlines	U.S.	2,104
211.	Grafische BPF	Netherlands	2,100
212.	Matsushita Electrical	Japan	2,100
213.	SSIH	Switzerland	2,100
214.	TSB Group	U.K.	2,100
215.	TRW Investment	U.S.	2,054
216.	Eastern Air Lines	U.S.	2,041
217.	Louisiana Employees	U.S.	2,001
218.	Air Canada	Canada	2,000
219.	B.C. Teachers	Canada	2,000
220.	Merseyside County	U.K.	2,000
221.	Presbyterian (USA)	U.S.	2,000
222.	Sun	U.S.	1,987
223.	Nat'l Rural Elec. Co-op	U.S.	1,982
224.	Halliburton	U.S.	1,965
225.	R.I. Employees	U.S.	1,911
226.	Ansett Pilots	Australia	1,900
227.	General Motors Canada	Canada	1,900
228.	Hoogovens	Netherlands	1,900
229.	Onderling BPF	Netherlands	1,900
230.	Thorn EMI	U.K.	1,900
231.	Armco	U.S.	1,889
232.	Hospital & Health Care	U.S.	1,888
233.	BP America	U.S.	1,883
234.	Eli Lilly	U.S.	1,867
235.	Commonwealth Edison	U.S.	1,861
236.	Bakery & Confectionery	U.S.	1,849
237.	Int'l Operating Eng.	U.S.	1,832
238.	Travelers Insurance	U.S.	1,830
239.	Arkansas Teacher	U.S.	1,827
240.	Federated Dept. Stores	U.S.	1,810
241.	Florida Power & Light	U.S.	1,803
242.	CIBA-GEIGY	Switzerland	1,800
243.	Oklahoma Teachers	U.S.	1,800
244.	Texas Municipal	U.S.	1,800
245.	Unilever	Netherlands	1,800
246.	Texas County & District	U.S.	1,789
247.	Navistar	U.S.	1,785
248.	New Mexico Educational	U.S.	1,750
249.	Goodyear Tire & Rubber	U.S.	1,728
250.	Union Carbide	U.S.	1,711
251.	BASF	W. Germany	1,700
252.	Canton of Zurich	Switzerland	1,700
253.	Civil Aviation Authority	U.K.	1,700
254.	DSM	Netherlands	1,700
255.	IBM U.K.	U.K.	1,700
256.	Inland Steel Industries	U.S.	1,700
257.	Koopvaardij BPF	Netherlands	1,700
258.	Lancashire County	U.K.	1,700
259.	Mijnwerkers (Limburg)	Netherlands	1,700
260.	Phillips Petroleum	U.S.	1,700
261.	Reed Int'l	U.K.	1,700
262.	Royal Bank of Scotland	U.K.	1,700
263.	Vauxhaul	U.K.	1,700
264.	GenCorp	U.S.	1,683
265.	PPG Industries	U.S.	1,677
266.	Plumbers Nat'l HQ	U.S.	1,658
267.	S. New Engl. Telephone	U.S.	1,625
268.	American Stores	U.S.	1,623
269.	Motorola	U.S.	1,618
270.	Kraft	U.S.	1,608
271.	Hewlett-Packard	U.S.	1,606
272.	Chicago Municipal	U.S.	1,600
273.	C.R.P.N.C.P.	France	1,600
274.	Grand Metropolitan	U.K.	1,600
275.	Philips	U.K.	1,600
276.	South Yorkshire County	U.K.	1,600
277.	Sun Alliance Insurance	U.K.	1,600
278.	Hercules	U.S.	1,589
279.	Philadelphia Municipal	U.S.	1,578
280.	American Electric Power	U.S.	1,561
281.	Abbott Laboratories	U.S.	1,530
282.	New Mexico Employees	U.S.	1,513
283.	K mart	U.S.	1,509
284.	L.A. Water & Power	U.S.	1,504
285.	Allianz Versicherung	W. Germany	1,500
286.	Aluminum Co./Canada	Canada	1,500
287.	Commercial Union	U.K.	1,500
288.	Courtaulds	U.K.	1,500
289.	Huisartsen BPF	Netherlands	1,500
290.	Indiana State Teachers	U.S.	1,500
291.	New York Life	U.S.	1,503
292.	Toyota Motor	Japan	1,500
293.	Episcopal Church	U.S.	1,470
294.	Southern Calif. UFCW	U.S.	1,464
295.	Houston City	U.S.	1,458
296.	CIGNA	U.S.	1,454
297.	Maine State Retirement	U.S.	1,452
298.	United Parcel Service	U.S.	1,443
299.	IAM Nat'l	U.S.	1,436
300.	Evangelical Lutheran	U.S.	1,420
	Total		$1,[illegible]

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PENSIONS &
Investment Age

May 22, 1989

$25 an issue

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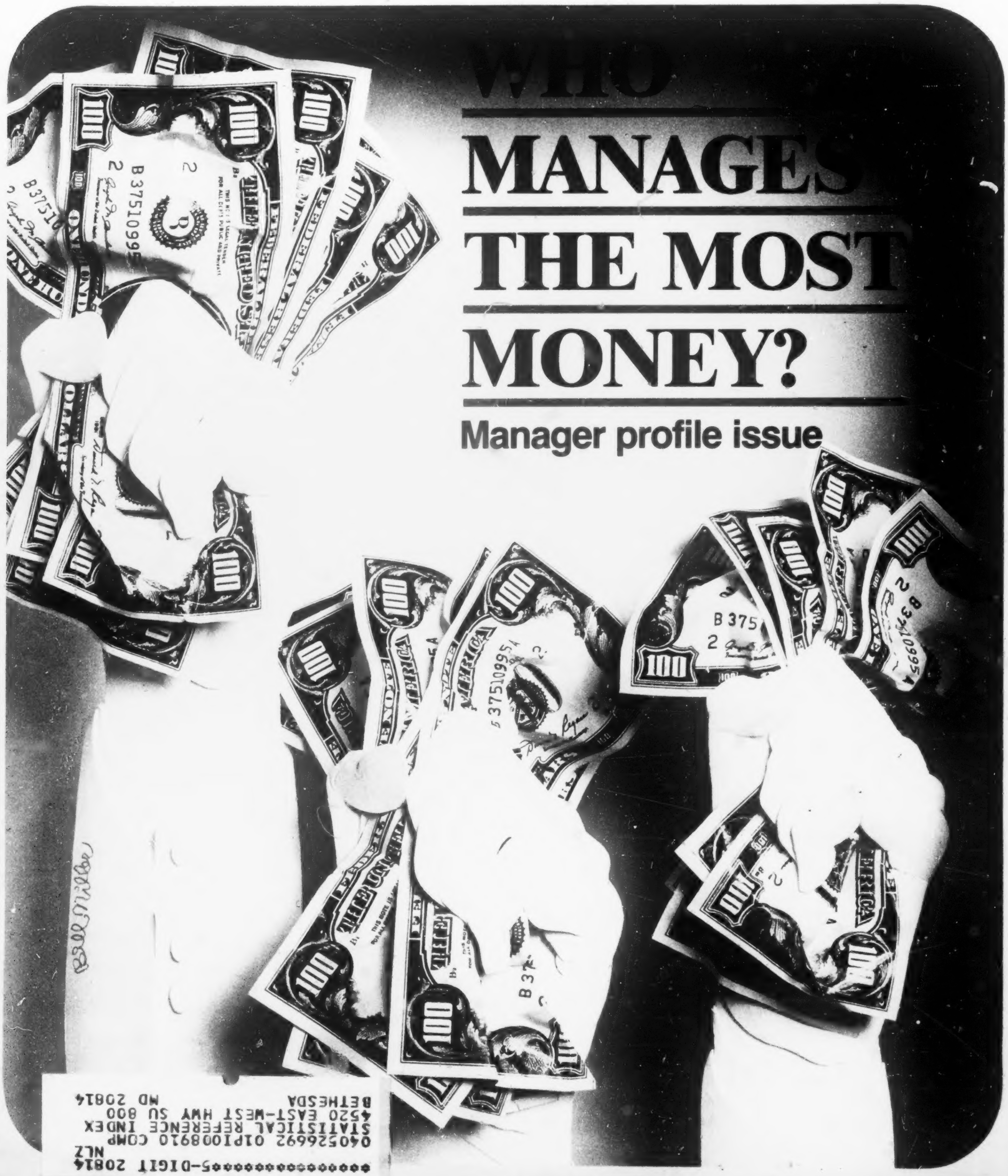
WHO MANAGES THE MOST MONEY?

Manager profile issue



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Published every other week by Crain Communications Inc. Offices at 220 E. 42nd St., New York 10017 (editorial: 212/210-0255, advertising: 210-0114); 740 N. Rush St., Chicago 60611 (312/649-5200); 814 National Press Bldg., Washington, D.C. 20045 (202/662-7200); 6404 Wilshire Blvd., Los Angeles 90048 (213/651-3710); 1 NorthPark East, Suite 114, 8950 Central Expwy., Dallas 75231 (214/692-9848).

$6 an issue, $110 a year in the U.S. Add $41 per year for air delivery to Europe and the Middle East. Add $20 per year for surface mail to all other foreign countries. Add $50 per year for air delivery in U.S. and $57 for air delivery in Canada.

WILLIAM STRONG, vp-circulation, JOHN HUFFMAN, fulfillment director. Four weeks notice required for change of address. Address all subscription correspondence to Pensions & Investment Age, 965 Jefferson, Detroit, Mich. 48207. Telex number: 25-4248; Cable address: CRAINCOM. Microfilm copies are available from University Microfilms, 300 N. Zeeb Rd., Ann Arbor, Mich. 48021. Microfiche copies are available from Bell & Howell, Micro Photo Division, Old Mansfield Rd., Wooster, Oh. 44691.

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Firms' growth lags market

But assets rise for international, realty and 401(k) managers

By Trudy Ring

Asset growth among money managers didn't quite keep pace with the financial markets in 1988, reflecting the stagnation of defined benefit funds, their major client base.

Some areas — assets managed for 401(k) and 457 plans, international investments and real estate — grew at a greater rate than overall asset growth. But most managers found themselves competing for a nearly constant pool of tax-exempt and total dollars.

Among the universe of managers profiled in *Pensions & Investment Age's* annual directory, total discretionary assets increased 9.4% to $3.32 trillion. The manager universe grew somewhat, to 1,021 firms from 971 firms. These figures exclude Canadian managers.

Total discretionary assets run by the Top 500 firms increased 8.8%, to $3.06 trillion; those managed by the Top 200 increased 7.3%, to $2.46 trillion; and those run by the Top 100 decreased 5.2%, to $1.95 trillion. This year's questionnaire limited figures to discretionary-only assets.

Tax-exempt assets managed by the entire universe grew 11.5%, to $1.88 trillion, while tax-exempt assets run by the Top 500 increased 11.1% to $1.64 trillion; those run by the Top 200 grew 10.6% to $2.56 trillion; and those run by the Top 100 rose 10.5% to $1.28 trillion.

The entire universe's overall asset mix was 48% stocks, 27% bonds, 14% cash, 6% equity real estate, 1% mortgage-backed securities, 1% mortgages and 3% other.

A benchmark portfolio consisting of 50% equities, 40% bonds and 10% cash would have returned 11.9% for the year, according to Yanni-Bilkey Investment Consulting Co., Pittsburgh. In the benchmark, the Standard & Poor's 500 Stock Index is used for equities, the Shearson Lehman Hutton Government/Corporate Bond Index for bonds and Treasury bills for cash.

The fact managers' assets grew by even a little less than the markets indicates there's little growth in the way of new contributions to defined benefit plans. "I don't think there's any doubt about that," said Terry Bilkey, principal of Yanni-Bilkey.

"Growth from external sources is not very great," added Ron Jones, partner of Hewitt Associates, Lincolnshire, Ill.

"If one manager's getting the business, another manager's losing it," said Ed Loughlin, senior vice president of SEI Funds Evaluation Services, Wayne, Pa.

Assets managed for 401(k) and 457 plans, however, saw great growth in 1988. Assets in this category, as reported to *P&I Age*, increased 101% to $124.6 billion. That increase came about partly because some firms did not break out this number the previous year. For instance, Metropolitan Life Insurance Co., New York, the leader in this category with $18.2 billion, did not report 401(k)/457 assets a year ago.

But the reporting discrepancy does not negate this as a growth area. "We see that in spades," Mr. Jones said. "Even if you could adjust for that (discrepancy), you'd find a high rate of growth."

Mr. Bilkey added, "I don't think it would be a doubling, but it certainly has continued to grow." Employees likely will continue to contribute to these plans, he said, and most employers match employee contributions to some extent.

Tax-exempt assets invested internationally showed major growth, increasing 33.4% to $73 billion. Assets invested in international equities increased 50% to $53.3 billion, outstripping market growth — the Morgan Stanley Capital International Europe Australia Far East Index was up 28.6% in 1988. Investments in international bonds grew 25% to $16.9 billion; international cash holdings decreased 23.8% to $2.76 billion.

"International continues to grow and will continue to grow," Mr. Bilkey said. "Many of our clients just are venturing into that for the first time."

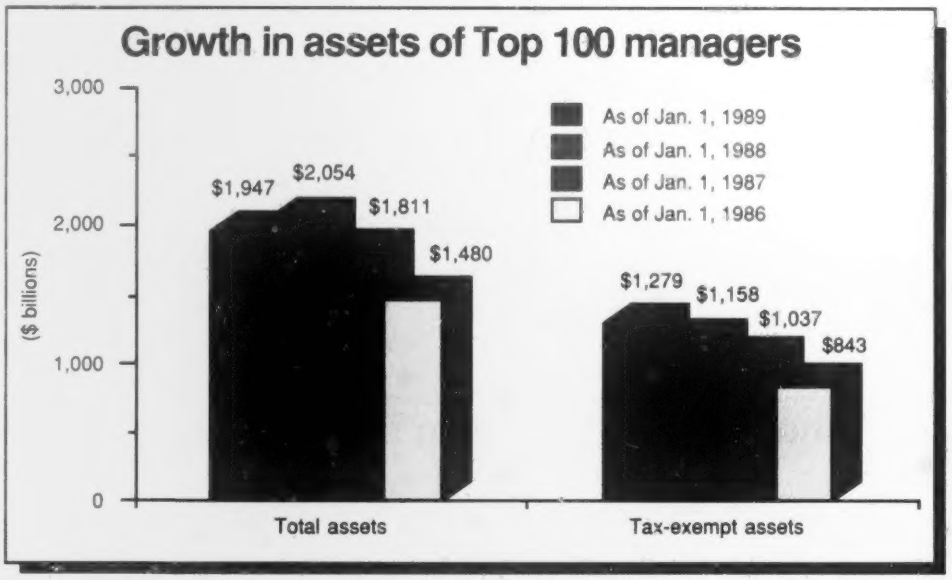
Investments in real estate equity grew 23.8% to $97.1 billion. With the economy no longer in a deflationary pattern and concerns about inflation picking up, investors see real estate as a good bet, Mr. Bilkey said.

Added Mr. Loughlin: "Diversification was really the name of the game last year. If there was one sponsor reaction to the crash, it was to further diversify."

Assets invested in mortgages grew 409% to $90.2 billion, but this huge increase is more likely due to reporting changes than to actual growth. On this year's questionnaire, insurers were asked to report pension-related general account assets, such as those that back guaranteed investment contracts. Many did not report such assets previously.

Among the Top 100 managers of tax-exempt assets, banks and their subsidiaries lost some market share, falling to 33% from 35%. That's because some banks have gotten out, of or reduced their activity in, the money management business, most recently Citibank, Mr. Jones added. Its affiliate, Citicorp Investment Management, New York, sold its domestic tax-exempt investment management business to USF&G Corp., Baltimore, last

Continued on page 120



PENSIONS &
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MANAGE
THE MOS
MONEY?
Manager profile issue

Cover illustration by Bill Miller
Cover design by Anthony F. Ficke

Vol. 17, No. 11 — Pensions & Investment Age (ISSN 0273-5466) is published biweekly with a special edition in May, at 740 Rush St., Chicago, Ill. 60611. Second class postage paid at Chicago, Ill. and at additional mailing offices. Postmaster: Send address changes to Pensions & Investment Age, Circulation Dept. 965 E. Jefferson, Detroit, Mich. 48207.

PENSIONS &
Investment Age
The newspaper of corporate and institutional investing

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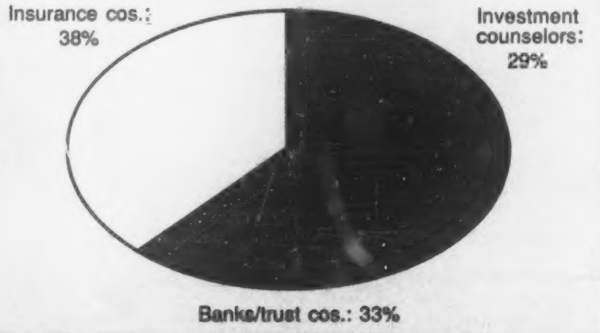
Profile statistics at a glance

Total managers profiled	**1,072**
Banks, trust cos. and subsidiaries	217
Insurance cos. and subsidiaries	105
Investment counselors	699
Canadian managers*	51
Total portfolio managers employed	**6,954**
Total security analysts employed	**7,145**
Stocks watched closely (average)	
By banks	248
By insurance cos.	209
By investment counselors	230
Stocks watched generally (average)	
By banks	748
By insurance cos.	763
By investment counselors	890
Percentage of in-house research (average)	
By banks	54
By insurance cos.	60
By investment counselors	65
No. of managers using options	**242**
No. of managers using stock-index futures	**117**
No. of managers using fixed-income futures	**130**
Total discretionary assets managed ($ millions)	**3,320,870**
Top 500	3,064,324
Top 100	1,946,779
Tax-exempt discretionary assets managed ($ millions)	**1,882,094**
Top 500	1,831,858
Top 100	1,279,076
Tax-exempt discretionary assets managed ($ millions)	
Banks, trust cos. and subsidiaries	611,763
Insurance cos. and subsidiaries	552,549
Investment counselors	717,782
Real estate assets managed ($ millions)	**187,337**
Equity real estate	97,093
Mortgages	90,244
Indexed assets managed ($ millions)	**178,456**
Equity index	136,978
Bond index	41,478
International assets managed ($ millions)	**73,023**
Equity	53,351
Bonds	16,907
Cash	2,765
Assets invested in GICs ($ millions)	**138,350**
Assets invested for 401(k) / 457 plans ($ millions)	**124,631**
Assets invested in dedicated/immunized funds ($ millions)	**65,222**

*All other statistics exclude Canadian managers

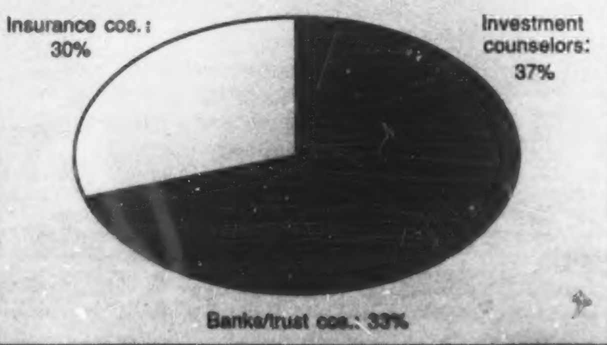
Who manages the money?

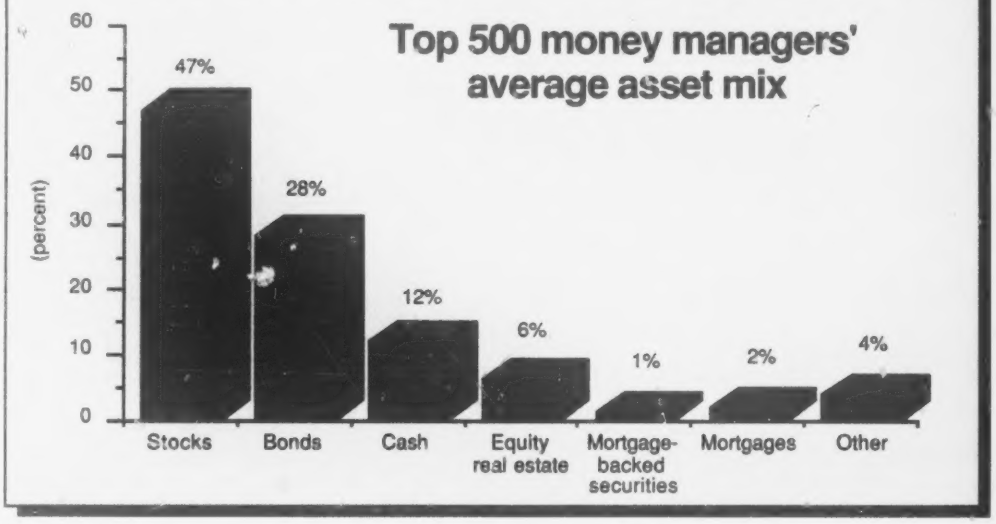
(the top 100)



Who manages the money?

(the top 500)



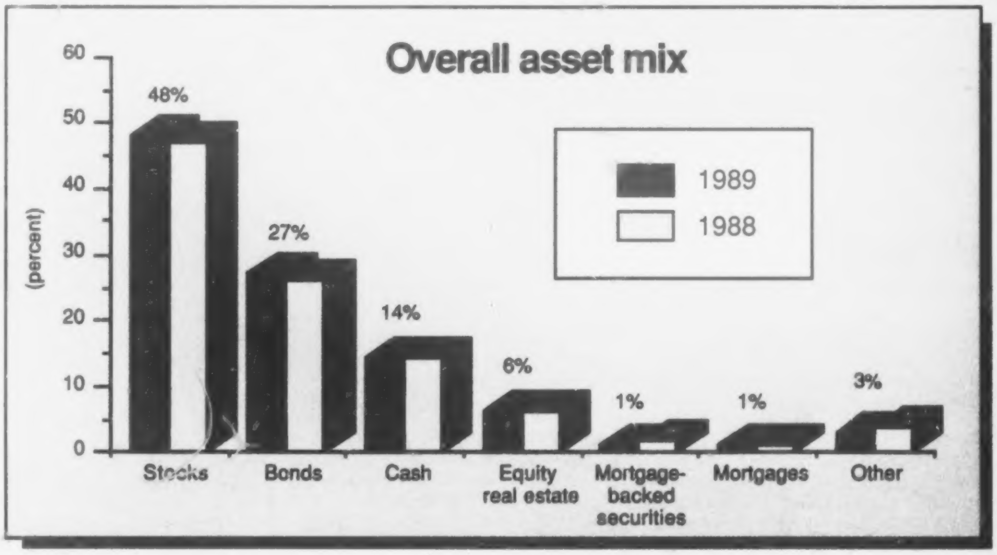


Tax-exempt asset mix (by adviser)

	Banks	Insurance companies	Investment counselors
Stocks	40%	40%	51%
Bonds	37	28	23
Cash	14	12	14
Equity real estate	4	8	6
Mortgages	2	6	1
Mtg.-backed securities	2	2	1
Other	1	4	4

Canadian asset mix

Canadian equities	33%
U.S. equities	8
Bonds	36
Cash	12
Equity real estate	6
Mortgages	5
Mtg.-backed securities	0
Other	0



Statistics gathered from questionnaires

The data contained in the story, profiles, charts and tables in this special issue were developed by *Pensions & Investment Age* from answers to questionnaires.

Detailed questionnaires were sent to client contacts or chief investment officers at more than 2,000 banks, trust companies, insurance companies and independent investment advisers in North America and abroad.

International/global and real estate managers are included in this issue, although *P&I Age* will publish separate, detailed directories on those subjects June 26 and Oct. 2, respectively.

A team of editorial staff members in Chicago worked on this issue — the 16th annual directory — for almost five months.

All quantifiable answers to the questionnaires were entered into a spreadsheet program from which the charts, tables and other statistics were compiled. All information, except where noted, is as of Jan. 1, 1989.

There were two changes in the questionnaire this year that may account for some differences in the figures. First, all managers were asked to provide discretionary institutional assets under management; no custodial or advisory assets were included. Second, general account assets of insurance companies could be included in the dollar breakouts of each asset class.

As in previous years, managers also were asked to provide the tax-exempt institutional asset mix; kinds, numbers and names of tax-exempt institutional clients; areas of investment capabilities; investment approaches to stocks, bonds and real estate, where appropriate; names and titles of chief investment officer and client contact; the parent company, if any; and dollar amounts invested in categories such as equity real estate, mortgage-backed securities, mortgages, foreign investments, indexed funds and dedicated or immunized portfolios.

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The Top 100 managers by total assets

Firm	$ mils.
Metropolitan Life	91,367
Bankers Trust	76,828
Merrill Lynch	75,400
Fidelity Mgmt. & Research	72,000
Prudential Asset	58,521
Wells Fargo	57,066
J.P. Morgan	53,581
Kemper Financial	49,035
Travelers Cos.	47,500
John Hancock Financial	47,058
Aetna Life	43,520
Putnam Cos.	40,802
Scudder, Stevens & Clark	39,472
State Street Bank	39,100
New York Life	34,767
Alliance Capital	33,378
Equitable Capital	33,209
Equitable Real Estate	32,715
Wellington Mgmt.	31,696
Mitchell Hutchins	30,297
GE Investments	29,200
Bernstein-Macaulay	27,016
Chase Investors	26,800
CIGNA Asset	25,755
Northern Trust	24,700
Boston Co.	24,617
Loomis, Sayles	24,449
Mellon Capital	22,800
Mass. Financial	22,650
Boatmen's Trust	22,523
BZW Investment	22,500
T. Rowe Price	22,390
Pacific Financial Cos.	22,197
Mass. Mutual Life	21,500
Van Kampen Merritt	21,000
Capital Research & Mgmt.	20,564
MONY Financial	20,274
Bank N.Y./Irving Trust	20,000
Wilmington Trust	19,967
Jennison Associates	19,272
The Principal	18,430
Vanguard Group	18,019
Lehman Mgmt.	17,321
Mellon Bond	17,040
Chancellor Capital	16,555
County NatWest Investment	16,553
Capital Guardian Trust	16,459
Stein Roe & Farnham	16,313
NCNB Texas	16,258
Miller, Anderson & Sherrerd	16,153
Daiwa Int'l Capital	15,682
Transamerica Investment	15,043
Morgan Stanley Asset	15,014
Delaware Investment	14,888
Lincoln Nat'l	14,685
Henderson Administration	14,365
United States Trust/N.Y.	14,037
Harris Trust & Savings	14,000
Great-West Life	13,939
Neuberger & Berman	13,875
Trust Co./West	13,785
Citicorp Investment	13,638
Sanford C. Bernstein	13,217
Copley Real Estate	13,190
State Street Research & Mgmt.	13,021
Brown Brothers Harriman	12,782
American Capital Mgmt. & Research	12,777
First Fidelity Bancorp.	12,600
The New England	12,302
RCM Capital	12,090
Chemical Investment	12,076
ANB Investment	11,951
A I M Mgmt. Group	11,860
Ameritrust	11,814
Manufacturers Nat'l/Detroit	11,671
Fischer, Francis, Trees	11,519
Lazard Freres	11,221
Fayez Sarofim	11,089
First Chicago Investment	11,013
Connecticut Mutual Life	11,000
Mutual Benefit Life	10,639
Oppenheimer Capital	10,386
AIG Global	10,200
Lincoln Capital	10,180
Nat'l Bank/Detroit	9,700
Yamaichi Int'l Capital	9,700
NML Equity Service	9,580
INVESCO Capital	9,564
Lord, Abbett	9,437
First Wachovia	9,300
Fiduciary Trust	8,868
Axe-Houghton Mgmt.	8,720
Batterymarch Financial	8,637
VALIC	8,632
SLH Asset	8,463
Standish, Ayer & Wood	7,982
Criterion Investment	7,933
BEA Associates	7,929
NCNB Nat'l	7,887
MTrust	7,787
TOTAL	**2,188,255**

Managers ranked by tax-exempt assets

Firm	$ mils.
1. Bankers Trust	62,492
2. Prudential Asset	58,179
3. Wells Fargo	57,066
4. J.P. Morgan	53,000
5. Aetna Life	43,520
6. Metropolitan Life	41,963
7. State Street Bank	34,500
8. Travelers Cos.	24,936
9. CIGNA Asset	24,827
10. Alliance Capital	23,810
11. Mellon Capital	22,800
12. GE Investments	22,700
13. Fidelity Mgmt. & Research	22,000
14. Pacific Financial	20,455
15. Loomis, Sayles	19,575
16. Jennison Associates	19,272
17. Boston Co.	18,416
18. Equitable Real Estate	18,316
19. Equitable Capital	16,915
20. Mellon Bond	16,894
21. Capital Guardian	15,994
22. Miller, Anderson	15,862
23. John Hancock Financial	15,843
24. Chase Investors	14,800
25. The Principal	14,308
26. Delaware Investment	13,848
27. Mitchell Hutchins	13,630
28. Chancellor Capital	13,131
29. Lehman Mgmt.	13,079
30. Trust Co./West	13,075
31. New York Life	12,353
32. Morgan Stanley Asset	12,069
33. Boatmen's Trust	11,464
34. Sanford C. Bernstein	11,094
35. ANB Investment	10,929
36. Scudder, Stevens & Clark	10,863
37. T. Rowe Price	10,846
38. Mass. Mutual Life	10,700
39. Fischer, Francis, Trees	10,610
40. First Chicago Investment	10,594
41. RCM Capital	10,575
42. State Street Research	10,144
43. Oppenheimer Capital	10,133
44. Lincoln Capital	9,987
45. Fayez Sarofim	9,772
46. Lazard Freres	9,746
47. INVESCO Capital	9,564
48. Wellington Mgmt.	9,500
49. Copley Real Estate	8,931
50. Harris Trust & Savings	8,496
51. VALIC	8,431
52. Northern Trust	8,376
53. Bank of N.Y./Irving Trust	8,000
54. Batterymarch Financial	7,972
55. MONY Financial	7,907
56. Criterion Investment	7,887
57. Putnam Cos.	7,850
58. Chemical Investment	7,821
59. BEA Associates	7,469
60. Fidelity Mgmt. Trust	7,451
61. JMB Institutional	7,400
62. Ameritrust	7,304
63. Brown Brothers Harriman	7,131
64. Lincoln Nat'l Investment	7,098
65. Neuberger & Berman	6,968
66. NCNB Texas	6,903
67. Discount Corp. of New York	6,724
68. Transamerica Investment	6,671
69. Duff & Phelps Investment	6,463
70. Jamison, Eaton & Wood	6,380
71. Great-West Life	6,300
72. McMorgan	6,000
73. Northern Investment	5,855
74. Capital Supervisors	5,841
75. Stein Roe & Farnham	5,838
76. ASB Capital	5,811
77. Provident Nat'l	5,801
78. Nat'l Bank/Detroit	5,800
79. Investment Advisers	5,750
80. Barrow, Hanley, Mewhinney	5,746
81. Mutual Benefit Life	5,742
82. The New England	5,737
83. First Wachovia	5,670
84. Fiduciary Trust/Int'l	5,495
85. Nat'l Investment Services	5,240
86. Sears Investment	5,166
87. Manufacturers Nat'l/Detroit	5,134
88. Dodge & Cox	4,880
89. Dimensional Fund Advisors	4,851
90. Trinity Investment	4,744
91. PRIMCO Capital	4,735
92. Columbia Mgmt.	4,723
93. Hartford Life	4,700
94. Merrill Lynch Asset	4,600
95. Payden & Rygel	4,575
96. Continental Assurance	4,562
97. First Fidelity	4,531
98. Western Asset	4,510
99. Heitman Advisory	4,500
100. Nationwide Life	4,457
101. Bank One Indianapolis	4,400
102. First Union Nat'l Bank	4,350
103. Morley Capital	4,200
104. Standish, Ayer & Wood	4,167
105. UNUM Life	4,095
106. NCNB Nat'l Bank	4,018
107. Denver Investment	4,008
108. Trusco Capital	4,000
109. Mutual of America Life	3,965
110. Pittsburgh Nat'l Bank	3,920
111. MacKay-Shields	3,900
112. Shields Asset	3,776

Managers ranked by tax-exempt assets

Firm	$ mils.
113. Glenmede Trust	3,700
114. RREEF Funds	3,665
115. IDS Equity/IDS Fixed-Income	3,658
116. Aldrich, Eastman & Waltch	3,600
117. Indiana Investment	3,500
118. Forstmann-Leff	3,470
119. Weiss, Peck & Greer	3,470
120. Dewey Square Investors	3,440
121. Kennedy Associates	3,398
122. Mellon Equity Associates	3,346
123. United Capital	3,306
124. Sun Bank Capital	3,300
125. Capital Research & Mgmt.	3,280
126. Old Kent Bank & Trust	3,250
127. STW Fixed Income	3,184
128. Lord, Abbett	3,161
129. National City Bank	3,160
130. United Missouri Investment	3,154
131. Connecticut Mutual Life	3,140
132. A I M Mgmt.	3,118
133. TSA Capital	3,108
134. Mississippi Valley Advisors	3,100
135. Provident Capital	3,100
136. Rosenberg Inst'l Equity	3,080
137. State Mutual Cos.	3,053
138. Hotchkis & Wiley	3,036
139. Dreman Value Mgmt.	3,015
140. Newbold's Asset Mgmt.	2,966
141. Independence Investment	2,937
142. LaSalle Advisors	2,900
143. The Phoenix	2,862
144. First Asset Mgmt.	2,852
145. Wright Investors'	2,828
146. Connecticut Nat'l Bank	2,813
147. Geewax, Terker	2,800
148. Todd Investment	2,753
149. Constitution Capital	2,736
150. Bear Stearns Asset	2,732
151. Franklin Portfolio Associates	2,731
152. Washington Square	2,708
153. Mercantile-Safe Deposit	2,702
154. Gardner & Preston Moss	2,701
155. Kemper Financial	2,694
156. Richard Ellis	2,690
157. Wilshire Asset Mgmt.	2,678
158. Corporate Property	2,650
159. Mass. Financial Services	2,545
160. First Kentucky Trust	2,542
161. AmSouth Bank	2,512
162. United States Trust/N.Y.	2,507
163. Security Pacific	2,477
164. Morgan Grenfell Investment	2,450
165. Manning & Napier	2,400
166. Crown Life	2,348
167. Templeton Int'l	2,347
168. Investment Counselors/Md.	2,316
169. Norwest Capital Mgmt.	2,314
170. INVISTA Capital	2,308
171. Provident Investment	2,306
172. Cooke & Bieler	2,279
173. Capitoline Investment	2,270
174. Lowe Brockenbrough	2,265
175. Thompson, Siegel	2,261
176. Baring Int'l	2,260
177. Vanguard Group	2,255
178. First Wisconsin Trust	2,252
179. M.D. Sass Investor	2,237
180. Grantham, Mayo	2,214
181. Olympic Asset	2,207
182. First Interstate Bank/Calif.	2,202
183. Fleet Nat'l Bank	2,188
184. Society Corp.	2,131
185. Allstate Life	2,119
186. Rowe Price-Fleming Int'l	2,114
187. J.H. Ayres	2,100
188. Norstar Investment	2,100
189. Shearson Asset	2,053
190. C&S Investment Advisors	2,033
191. Penn Mutual Life	2,033
192. Dillon, Read Capital	2,029
193. Atalanta/Sosnoff Capital	2,000
194. BancOklahoma Trust	1,997
195. Sit Investment	1,996
196. PRIMECAP Mgmt.	1,994
197. Pacific Financial Research	1,972
198. Concord Capital	1,970
199. Comerica Bank/Detroit	1,964
200. F.I.A. Associates	1,961
201. First Manhattan Capital	1,950
202. Sovran Capital	1,950
203. Strong/Corneliuson Capital	1,928
204. Hibernia Nat'l Bank	1,905
205. Luther King Capital	1,900
206. Wentworth, Hauser	1,857
207. Pacific Century	1,847
208. Home Life	1,836
209. McGlinn Capital	1,820
210. John W. Bristol	1,800
211. Carnegie Capital	1,800
212. Schroder Capital Mgmt. Int'l	1,800
213. Smith Barney Capital	1,800
214. Balcor	1,765
215. Continental Capital	1,715
216. W.R. Lazard	1,708
217. Cashman, Farrell	1,697
218. J&W Seligman	1,685
219. Solomon Asset	1,671
220. Union Labor Life	1,662
221. First Kentucky	1,653
222. AMR Investment	1,650
223. M&I Investment	1,629
224. Dreyfus Mgmt.	1,616
225. Lehndorff & Babson	1,610
226. WorldInvest	1,609
227. GAMCO Investors	1,605
228. First Investment Mgmt.	1,581
229. Merganser Capital	1,581
230. Hagler, Mastrovita	1,577
231. Siebel Capital	1,569
232. Warburg Investment	1,541
233. Columbus Circle Investors	1,536
234. Fifth Third Bank	1,518
235. General American Life	1,508
236. Amalgamated Bank/N.Y.	1,500
237. Barnett Banks Trust	1,500
238. Jones Lang Wootton	1,500
239. Lee, Robinson & Steine	1,500
240. Harbor Capital	1,497
241. American Capital M&R	1,487
242. First Pacific Advisors	1,476
243. Southwestern Life	1,474
244. Associated Capital	1,471
245. Avatar Associates	1,450
246. United of Omaha	1,450
247. Munder Capital	1,445
248. 1838 Investment Advisors	1,430
249. Nomura Capital	1,424
250. MTrust	1,418
251. Jundt/Capen Associates	1,416
252. Midlantic Nat'l Bank	1,400
253. Vaughan, Nelson	1,400
254. Confederation Life	1,398
255. Sentinel Real Estate	1,385
256. Warburg, Pincus	1,385
257. Atlanta Capital	1,375
258. Reich & Tang	1,368
259. Harris Associates	1,360
260. First Tennessee Investment	1,356
261. Aon Advisors	1,349
262. Renaissance Investment	1,340
263. Fred Alger	1,304
264. Baring America Asset	1,304
265. Brundage, Story and Rose	1,301
266. Fidelity Int'l Investment	1,300
267. Glickenhaus & Co.	1,300
268. Hawaiian Trust	1,300
269. O'Connor Group	1,300
270. McCowan Associates	1,235
271. Analytic Investment Mgmt.	1,234
272. PCM Int'l	1,233
273. SLH Asset Mgmt.	1,223
274. Sovran Bank	1,223
275. Smoot, Miller, Cheney	1,220
276. Pilgrim Baxter Greig	1,219
277. Value Line	1,210
278. CMB Investment	1,206
279. C.S. McKee	1,200
280. Merchants Investment	1,200
281. Riggs Nat'l Bank/Wash.	1,200
282. Van Kampen Merritt	1,200
283 Securities Counsel	1,195
284. Stacey Braun	1,190
285. NWQ Investment	1,176
286. Nicholas-Applegate	1,163
287. CoreStates Investment	1,150
288. Star Bank	1,126
289. First Interstate Bank/Ore.	1,124
290. IDS Trust	1,120
291. One Federal Asset	1,115
292. Investors Research	1,113
293. Daniel Breen	1,111
294. Latimer & Buck Real Estate	1,106
295. Alex. Brown Realty	1,105
296. Reams Asset Mgmt.	1,105
297. Liberty Nat'l Bank	1,096
298. MIG Realty	1,095
299. Wilmington Capital	1,090
300. Merus Capital	1,080
301. LaSalle Nat'l Bank	1,071
302. Hellman, Jordan	1,060
303. Oechsle Int'l	1,050
304. Eaton Vance	1,026
305. General American Investors	1,023
306. Public Storage	1,022
307. Northern Capital	1,018
308. Certus Financial	1,000
309. Meridian Investment	1,000
310. N.M. Rothschild Int'l	997
311. Coldwell Banker Capital	994
312. Institutional Capital	994
313. Rainier Investment	989
314. MSecurities	988
315. Back Bay Advisors	963
316. Lomas Advisors	962
317. First Wisconsin Asset Mgmt.	950
318. Donald Smith	944
319. David J. Greene	929
320. Union Bank	922
321. Equitable Agri-Business	914
322. Security Capital Mgmt.	904
323. Marinvest	903
324. Wolf, Webb, Burk & Campbell	900
325. IAA Trust	898
326. Axe-Houghton	894
327. Wilmington Trust	887
328. Ruane, Cunniff	880
329. Matrix Capital	879
330. Wall, Patterson, Hamilton	878
331. Chicago Title and Trust	870
332. MPT Associates	870
333. Citizens Fidelity Capital	860
334. First Interstate Bank/Wash.	860
335. BayBanks Investment	850
336. Morison Asset	836
337. Lieber & Co.	834
338. Provident Mutual Life	830
339. Eagle Asset Mgmt.	829
340. Hoisington Investment	825
341. Southeastern Asset	825
342. Waddell & Reed Asset	822
343. Westwood Mgmt.	820
344. Wells Fargo Realty	812
345. L.J. Melody	810
346. Wertheim Asset	805
347. Peregrine Capital	803
348. William Blair	800
349. Mellon Real Estate	800
350. Sasco Capital	800
351. Reimer & Koger	792
352. Hahn Holland & Grossman	783
353. Tom Johnson Investment	783
354. Property Capital Associates	780
355. Lexington Mgmt.	779
356. Alex. Brown Investment	766
357. Ward & Wissner Capital	765
358. Posthorn Global Asset	763
359. Qualivest Capital	762
360. Centre Square	753
361. Seattle First Nat'l Bank	749
362. Frontier Capital	746
363. Bernstein-Macaulay	742
364. Cabot, Cabot & Forbes Realty	730
365. First Quadrant	711
366. Julius Baer	710
367. Fiduciary Mgmt. Associates	710
368. George D. Bjurman	701
369. Advanced Investment	700
370. Harris, Greenhouse, Kutzel	700
371. Mercator Asset	700
372. United States Trust/Boston	700
373. Bessemer Trust	693
374. Beutel, Goodman Capital	693
375. Essex Investment Mgmt.	685
376. Capstone Asset	680
377. Federated Investment	678
378. Beacon Capital	669
379. First Nat'l Bank/Omaha	660
380. Pioneering Mgmt.	656
381. W.H. Reaves	653
382. Richmond Capital Mgmt.	650
383. Premier Investment	646
384. Anhalt/O'Connell	641
385. McCullough, Andrews	640
386. KR Capital	635
387. First Maryland Asset Mgmt.	627
388. Key Trust Co.	626
389. HT Investors	620
390. Dean Investment Associates	619
391. Ashland Mgmt.	618
392. Hanson Investment	618
393. RNC Capital	612
394. Cramblit & Carney	603
395. Peters, Gamm & West	602
396. Consistent Asset	600
397. Brignoli, Curley & Roberts	594
398. Valley Capital	594
399. Starling Capital	591
400. Mathers & Co.	588

Managers ranked by tax-exempt assets

Firm	$ mils.
401. Seattle Capital Mgmt.	582
402. Texas American Investment	580
403. Eastdil Realty	577
404. Brandywine Asset	575
405. Investment Advisors	574
406. Daniel S. Kampel	571
407. David L. Babson	570
408. Skye Investments	568
409. Mellon-Pictet Int'l	566
410. Roll and Ross	563
411. WEDGE Capital	562
412. Estabrook Capital	560
413. Chicago Corp.	558
414. Ariel Capital	553
415. Chicago Asset Mgmt.	550
416. Horsley Keogh	550
417. Karsten Realty	550
418. Unity Mgmt.	550
419. Van Deventer & Hoch	549
420. Marine Investment	543
421. Ferguson & Wellman	540
422. SAFECO Asset	537
423. GeoCapital	533
424. Kemper-Murray Johnstone Int'l	533
425. Robert C. Brown	530
426. Argus Investors	529
427. Weaver C. Barksdale	529
428. Sound Shore Mgmt.	529
429. Capital Consultants	523
430. Boston Int'l Advisors	520
431. IDS Int'l	516
432. Daiwa Int'l Capital	515
433. Bigler/Crossroads	505
434. CIC Asset	503
435. McMahan Real Estate	503
436. Birtcher Realty	500
437. Furman Selz Capital	500
438. Midwest Financial	500
439. Rice, Hall, James	500
440. Trustcorp Bank/Ohio	500
441. QuantiLogic Asset Mgmt.	499
442. Citizens and Southern Trust	498
443. Cutler & Co.	496
444. Smith Affiliated Capital	495
445. Roanoke Asset	490
446. American Nat'l/Chattanooga	475
447. United Jersey Bank	475
448. Mgmt. Asset	472
449. First Midwest Portfolio	466
450. Froley, Revy	465
451. G.T. Capital	458
452. Lynch & Mayer	457
453. Franklin Asset Mgmt.	450
454. Morgan Grenfell Capital	449
455. Webster Mgmt.	448
456. R. Meeder & Associates	447
457. Wilkens & Nanovic	447
458. Leavy Investment	440
459. Colorado Capital	436
460. Keystone Investment	434
461. Banc One Asset Mgmt.	426
462. Arnhold/S. Bleichroeder Int'l	425
463. Gofen & Glossberg	425
464. Globe Finlay	424
465. Montag & Caldwell	424
466. ABD Int'l	422
467. Nat'l Westminster/N.J.	420
468. Rothschild Co.	420
469. Growth Stock Outlook	415
470. CFB Advisory	414
471. Bowen, Hanes	410
472. Ameritas Investment	405
473. Abbott Capital	403
474. Deposit Guaranty Nat'l	401
475. Branch Banking and Trust	400
476. Life Insurance Co./Ga.	400
477. John McStay Investment	400
478. Nicholas Co.	400
479. West One Trust/Bank Idaho	400
480. Yeager, Wood & Marshall	400
481. Wood, Struthers & Winthrop	398
482. Travelers Investment	396
483. Prescott Asset	394
484. Greenleaf Capital	391
485. JCW Investments	389
486. Investment Counsel	380
487. Philippe Investment Mgmt.	375
488. Campbell Advisors	367
489. Delafield Asset	366
490. Nikko Capital	364
491. Securities Counselors/Iowa	364
492. Haven Capital	363
493. Arnold Investment	360
494. Dauphin Deposit Bank/Trust	360
495. Hill Samuel Investment	360
496. Ohio Co.	355
497. Bank One/Dayton	350
498. Citytrust	350
499. PSM Investors	350
500. United Investment	350
501. BMI Capital	342
502. Signet Asset	342
503. Capital Mgmt./Dominion Trust	340
504. Fort Hill Investors	340
505. Western Reserve Capital	337
506. Citicorp Investment	330
507. Capital Mgmt. Int'l/Deutsche	328
508. Harris Bretall Sullivan	326
509. SBC Portfolio Mgmt. Int'l	324
510. First Boston Asset	323
511. William D. Witter	322
512. Baxter & Hoops	318
513. Lotsoff Capital	317
514. Portfolio Group	316
515. Fiduciary Mgmt./Milwaukee	312
516. NML Equity	310
517. Chelsea Mgmt.	307
518. Capital Advisors	305
519. Kirr, Marbach	305
520. Crabbe-Huson	301
521. Bennett & Kahnweiler Realty	300
522. Capital Investment Services	300
523. First Interstate/Ariz.	300
524. Moran Asset	300
525. Nelson, Benson & Zellmer	300
526. Petersen, Flynn & Dinsmore	300
527. Schroder Real Estate	300
528. Shearson Equity Mgmt.	300
529. Trevor Stewart Burton	300
530. Tukman Capital	300
531. Meridian Mgmt.	298
532. Commerce Bank/St. Louis	297
533. Inverness Counsel	295
534. Schaenen Wood	295
535. Ashfield & Co.	290
536. Mount Vernon	290
537. Mutual Service Life	289
538. Rittenhouse Financial	289
539. RSSI	284
540. Evans & Moxon Capital	277
541. Ballard Biehl & Kaiser	275
542. Dearden, Maguire & Weaver	275
543. Leylegian Investment	275
544. Marine Bank	275
545. Rampart Investment	270
546. Capital Advisors	269
547. Morgan Stanley Asset/Chicago	269
548. First Nat'l Bank/Amarillo	268
549. Markston Investment	261
550. Pinnacle Associates	260
551. Verus Capital	260
552. Cambiar Investors	259
553. Magten Asset	258
554. Sanwa Bank/Calif.	258
555. Stratton Mgmt.	258
556. Burnham & Co.	250
557. Martin Currie	250
558. Fiduciary Capital	250
559. First Investors Asset	250
560. Gulf Investment	250
561. James Investment Research	250
562. Mount Lucas Mgmt.	250
563. Signet Bank/Md.	250
564. Kingsley, Jennison	249
565. Lombard Odier	248
566. Bank of Boston	243
567. Beutel, Goodman Int'l	242
568. Bank South	241
569. Amalgamated Trust & Savings	240
570. Tallasi Mgmt.	239
571. Marquette Bank/Minneapolis	238
572. Alan G. Seidner	234
573. Prudential-Bache Investment	232
574. Potomac Asset	230
575. Harris Derivative	228
576. Investment Mgmt. Services	224
577. Johnson Investment	221
578. Courier Capital	220
579. Dana Investment Advisors	220
580. United States Nat'l/Galveston	220
581. First Security Nat'l	219
582. INVESCO MIM Int'l	219
583. Burgess Capital	215
584. Palley-Needelman	215
585. Trident/Meyer Real Estate	215
586. Wilson, Kemp	215
587. Exchange Nat'l/Chicago	214
588. C-S Capital	210
589. JMC Capital	209
590. American Asset	207
591. Acorn Asset	203
592. P.E. Becker	203
593. George B. Springman	203
594. Dietche & Field Advisers	202
595. Kirkpatrick Pettis Mgmt.	201
596. Aronson & Fogler	200
597. Equitec Institutional	200
598. Roulston & Co.	200
599. Walter Scott Int'l	200
600. Target Investors	200
601. Woodmont Realty	200
602. Financial Trust	195
603. First Bank/Milwaukee	193
604. Crawford Investment	190
605. Heartland Capital	190
606. Virginia Investment	190
607. Dunedin Fund Managers	187
608. First Interstate Trust/Wis.	185
609. Fisher Investments	185
610. Grubb & Ellis Realty	184
611. Metric Institutional	183
612. Davis, Weaver & Mendel	182
613. Austin & Calvert	180
614. Marathon Investment	180
615. City Nat'l Bank	177
616. Investment Research Co.	176
617. Roger Engemann	175
618. Loeb Partners Realty	175
619. Wall Street Associates	175
620. Integrated Resources Asset	173
621. Kleinwort Benson Int'l	173
622. Greenwood Capital	172
623. Calamos Asset	170
624. Mesirow Asset	170
625. Kahn Brothers	169
626. Marsh/Cunningham-Castegren	168
627. Columbus Bank & Trust	165
628. Narragansett Capital	165
629. Capital Technology	164
630. U.S. Trust Co./Calif.	161
631. Legg Mason Capital	160
632. Madison Investment	160
633. Mid-State Capital	160
634. Trustcorp Bank/Ann Arbor	160
635. Flippin, Bruce & Porter	156
636. Amoskeag Bank	152
637. Gabelli-O'Connor	151
638. Abel/Noser	150
639. Norwest Capital/Mont.	150
640. EMP Capital	149
641. Acadian Asset	145
642. Alpine Capital	145
643. C.J. Lawrence	145
644. Anchor Capital	142
645. Kiene Wooters	141
646. NCM Capital Mgmt.	140
647. NSR Asset Mgmt.	140
648. Rocky Mountain Investors	140
649. Breau Capital	139
650. Cadinha & Co.	138
651. Composite Research & Mgmt.	137
652. Greenwich Asset	137
653. Winrich Capital	136
654. Astrop Advisory	134
655. Security Nat'l/N.J.	133
656. Bank IV Wichita	132
657. Acquest Capital Mgmt.	130
658. American Pension Mgmt.	130
659. Dougery, Jones & Wilder	130
660. Ivory & Sime Int'l	130
661. Kempner Capital Mgmt.	130
662. Seagate Capital Mgmt.	130
663. Merchants Bank	128
664. Chase Investment Counsel	125
665. Garrison, Keogh	125
666. IBJ Schroder Bank	125
667. AFA Financial	124
668. American Nat'l Bank/St. Paul	124
669. Cowen Asset Mgmt.	123
670. Cramer Rosenthal McGlynn	123
671. IDS Growth Spectrum	122
672. Marathon Asset Mgmt.	121
673. Travelers Keystone	121
674. Investment Counselors	120
675. Lieberman Cos.	120
676. Piedmont Realty	120
677. Sprout Group	120
678. Crestar Financial	116
679. Hillside Associates	116
680. Investors Mgmt. Services	115
681. Jenswold, King	115
682. First Nat'l Bank/Wichita	114
683. Stuyvesant Capital Mgmt.	114
684. Argus Investment Mgmt.	112
685. Key Trust/Northwest	110
686. Nat'l Property	110
687. Sovran Bank/Md.	109
688. Systematic Financial Mgmt.	109
689. D.A. Mgmt.	107
690. Swanson Capital Mgmt.	106
691. D.F. Dent	105
692. Investors Research	102

Managers ranked by tax-exempt assets

Firm	$ mils.
693. Ambs Investment Counsel	101
694. Bell Capital Mgmt.	101
695. Corbyn Associates	101
696. Van Eck Associates	101
697. Carret & Co.	100
698. Credit Suisse Asset Mgmt.	100
699. Davis Hamilton	100
700. Gradison & Co.	100
701. Illinois Co. Investment	100
702. Illinois Nat'l Bank	100
703. Qualified Counseling	100
704. Van Cleef Jordan & Wood	100
705. Amherst Investment Mgmt.	99
706. Windsor Financial	99
707. LVM Capital Mgmt.	98
708. Sullivan, Morrissey & Mickle	98
709. Trustcorp Bank/South Bend	98
710. Valley Bank/Nev.	97
711. Churchill Mgmt.	95
712. Benchmark Asset Mgmt.	94
713. Davenport Asset Mgmt.	94
714. JCB Asset Mgmt.	94
715. NM Capital Mgmt.	94
716. HD Int'l	93
717. BZW Investment Mgmt.	90
718. Hallmark Capital Mgmt.	89
719. Bollinger & Co.	88
720. Seaboard Investment	88
721. Delta Financial	86
722. Wardley Investment/Int'l	86
723. Cohen & Steers Capital	85
724. Gateway Investment	85
725. Amerindo U.S. Advisors	82
726. Franklin Research	82
727. McMillion/Eubanks	82
728. Boys, Arnold	81
729. Gintel Equity Mgmt.	81
730. Wyndmere Capital Mgmt.	81
731. County NatWest Investment	80
732. Ganz Capital Mgmt.	78
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861. Edward C. Rorer	20
862. Simpson Capital Mgmt.	20
863. Taplin, Canida & Habacht	20
864. Burridge Group	19
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876. Muhlenkamp & Co.	16
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898. MSR Advisors	12
899. Security Investors	12
900. Trascott, Alyson, Craig	12
901. Carnegie Wealth Mgmt.	11
902. John M. Cunningham	11
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904. Bondoux & Lockwood	10
905. W. David Dileo Investment	10
906. William Inskeep	9
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908. Summit Investment Mgmt.	9
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910. Audit Investments	7
911. DeJarnette Investment	7
912. Drexel Burnham Lambert Quant.	7
913. India Wharf	7
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915. Stratton Capital Mgmt.	6
916. David E. Ware	6
917. Contravisory Investment Mgmt.	5
918. Dollins Symons Mgmt.	5
919. Investment Mgmt.	5
920. Wagner & Hamil	5
921. Advanced Quantitative Strategies	4
922. Bostian Research	4
923. Cambier Investment Mgmt.	4
924. Computime Institutional	4
925. Platner & Associates	4
926. UBS Phillips & Drew Int'l	4
927. Vanguard Capital	4
928. Adams Express	3
929. Albion Mgmt. Group	3
930. Equity Investment	3
931. IDS Financial/Equity Mgmt.	3
932. North American Capital Mgmt.	3
933. Schield Mgmt.	3
934. Woodbyne	3
935. Apex Asset Mgmt.	2
936. J.C. Goodgal	2
937. T.M. Griffing	2
938. KAS Investment	2
939. MLP Advisory	2
940. Nicholson Group	2
941. Townsend Asset Mgmt.	2
942. Curran Capital Mgmt.	1
943. Ferguson Investment Consultants	1
944. GeoVest Advisors	1
945. Lingo Capital Mgmt.	1
946. Petroleum & Resources	1
947. Yasuda Bank & Trust/USA	1
948. TEL Advisors/Va.	1
949. Investors Asset Mgmt.	1
950. AGEPASA	0
951. Agrivest	0
952. AMB Institutional Realty	0
953. American Capital Mgmt.	0
954. BBL Capital Mgmt.	0
955. Boston Asset Mgmt.	0
956. Centum Financial Mgmt.	0
957. Clean Yield Asset Mgmt.	0
958. Commerz Int'l Capital Mgmt	0
959. Debenham Tewson & Chinnocks	0
960. Disciplined Portfolio Mgmt.	0
961. Eagle Capital Mgmt.	0
962. First Interstate Bank/Denver	0
963. GIT Investment Funds	0
964. Graistone Realty	0
965. Harvest Capital Mgmt.	0
966. Henderson Administration	0
967. Jacobs Levy Equity Mgmt.	0
968. Jacques & Kurdziel	0
969. Kangyo Kakumaru Capital Mgmt.	0
970. MacFarlane Realty	0
971. MFM Capital Mgmt.	0
972. Monmouth Capital Mgmt.	0
973. New Japan Capital Mgmt./USA	0
974. NKK Scudder Capital Asset	0
975. Ostendorf-Morris Properties	0
976. Quadrex Capital Mgmt.	0
977. T.W. Richardson	0
978. Rothschild Asset Mgmt.	0
979. Travelers Asset Mgmt. Int'l	0
980. Trinity Capital	0
981. Tyndall-Newport Mgmt.	0
982. United Trust Fund	0
983. Yamaichi Int'l Capital Mgmt.	0
Total	1,[illegible]

A

Abbott Capital Management

75 Second Ave., Suite 408, Needham,
Mass. 02194-2813; (617) 449-1171

Total assets managed	$403,000,000
Tax-exempt assets managed	
Total	$403,000,000
Separate accounts	$403,000,000
Minimum separate account	$10,000,000
Tax-exempt clients	10
Types of accounts managed	CEG
No. of portfolio managers	3
Size of research staff	3

Abbott Capital Management L.P. is a venture capital, leveraged buy-out and special situations partnership manager.

The firm uses in-depth analyses of the management teams to manage a 10- to 12-year venture capital partnership.

All assets were in venture capital and leveraged buy-out partnerships Jan. 1.

Raymond L. Held, general partner, is chief investment officer; Stanley E. Pratt, general partner, is client contact.

ABD International Management Corp.

10 E. 53rd St., New York, N.Y. 10022;
(212) 319-5020

Total assets managed	$565,000,000
Tax-exempt assets managed	
Total	$422,000,000
Separate accounts	$422,000,000
International equity assets	$314,000,000
International fixed-income assets	$43,000,000
International cash assets	$40,000,000
Minimum separate equity account	$15,000,000
Tax-exempt clients	5
Types of accounts managed	CG
No. of portfolio managers	8
Size of research staff	78

ABD International Management Corp. is an active equity and international/global manager.

For equities, it takes an active approach to currencies and stock selection based on industry rotation worldwide and within markets. The currency decision is considered separately from asset allocation and security selection.

Its fixed-income approach uses interest rate anticipation, currency considerations, technical analysis and macroeconomic analysis regarding currency implications.

The asset mix Jan. 1 was 84% equity, 3% b[illegible] and 13% cash.

The parent company is Dresdner Bank AG.

Wilhelm Heischmann is chief investment officer; William D. Rutherford, president, is client contact.

Abel/Noser Corp.

90 Broad St., 23rd Floor, New York,
N.Y. 10004; (212) 344-2610

Total assets managed	$150,000,000
Tax-exempt assets managed	
Total	$150,000,000
Separate accounts	$150,000,000
Minimum separate account	$3,000,000
Types of accounts managed	CJ
No. of portfolio managers	3
Size of research staff	6

Abel/Noser Corp., an active equity manager, uses a quantitative approach emphasizing low p/e ratios. It invests in undervalued stocks with high earnings potential that recently reported earnings surprises, using a ranking system with manual override when significant adverse information is published.

The asset mix Jan. 1 was 95% stocks and 5% cash.

The firm follows 1,000 stocks; all research is generated internally.

Eugene A. Noser Jr., president, is chief investment officer; Richard T. McSherry, executive vice president, is client contact.

Abraham & Sons Asset Management Inc.

401 S. LaSalle St., Suite 1001,
Chicago, Ill. 60605; (312) 786-5341

Total assets managed	$14,000,000
Tax-exempt assets managed	
Total	$12,000,000
Separate accounts	$12,000,000
401(k)/457 assets managed	$838,000
Minimum separate account	$500,000
Tax-exempt clients	14
Types of accounts managed	CEFG
No. of portfolio managers	3

Abraham & Sons Asset Management Inc. is an active equity, passive fixed-income and balanced manager.

Its primary equity approach is value-oriented, choosing low-multiple stocks, stocks trading near their lows and companies undergoing restructurings. Its fixed-income approach is passive, using the securities as a hedge.

The asset mix Jan. 1 was 74% equities, 12% bonds and 14% cash.

Brett G. Brubaker, president, is chief investment officer; Gerry Sandel, vice president. is client contact.

Acadian Asset Management

260 Franklin St., Boston, Mass. 02110;
(617) 439-6141

Total assets managed	$155,000,000
Tax-exempt assets managed	
Total	$145,000,000
Pooled accounts	$30,000,000
Separate accounts	$115,000,000
International equity assets	$145,000,000
Minimum separate account	$10,000,000
Tax-exempt clients	
Pooled	3
Separate	1
Types of accounts managed	CG
No. of portfolio managers	3
Size of research staff	1

Acadian Asset Management Inc. is an active equity and international/global equity manager.

The firm employs a disciplined, active quantitative approach, systematically exploiting value characteristics and other pricing anomalies, at both the country and individual stock levels.

All assets were in foreign equities Jan. 1.

The parent company is Acadian Financial Research Inc.

Gary Bergstrom, president, is chief investment officer; Churchill Franklin, senior vice president, is client contact.

Acorn Asset Management

2000 N. Woodward, Suite 130,
Bloomfield Hills, Mich. 48013; (313)
540-4410

Total assets managed	$305,000,000
Tax-exempt assets managed	
Total	$203,000,000
Separate accounts	$203,000,000
401(k)/457 assets managed	$5,000,000
No. of 401(k)/457 plans	4
Minimum separate account	$250,000
Tax-exempt clients	42
Types of accounts managed	CGJ
No. of portfolio managers	5
Size of research staff	5

Acorn Asset Management is an active and passive equity, active and passive fixed-income, and balanced manager.

The firm buys undervalued and low p/e stocks on a rotational industry basis. Yield and quality are important considerations.

Its primary fixed-income approach is interest rate anticipation. Maturities are generally laddered but in relatively narrow bands. Utilities, convertibles and government securities are preferred.

The asset mix Jan. 1 was 10% equities, 25% convertibles, 20% utilities, 35% governments and 10% cash.

Michele J. Hennessy, vice president, is client contact.

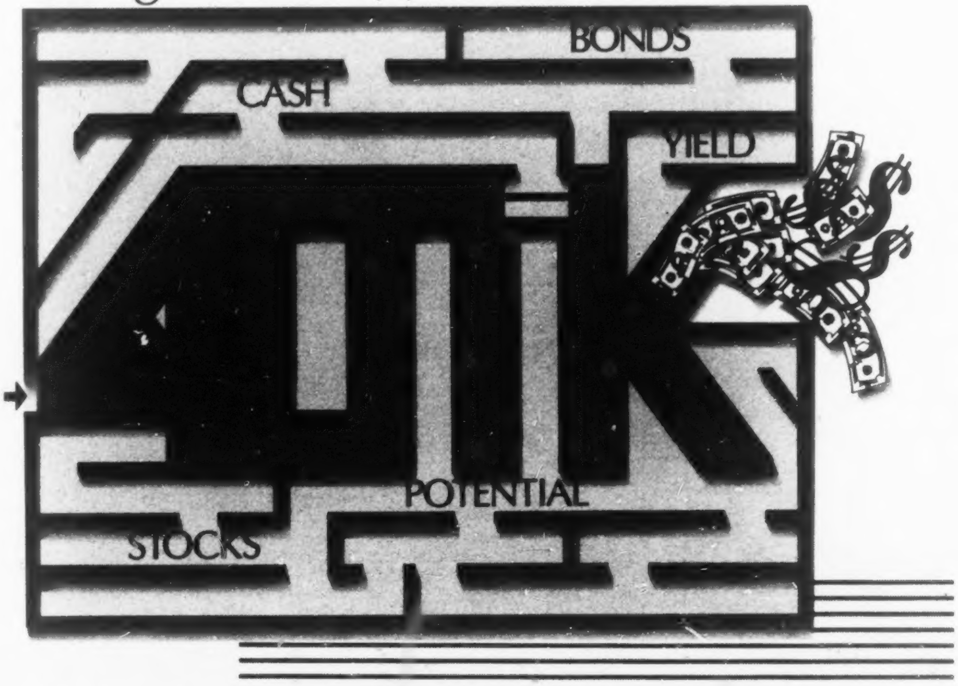
Acquest Capital Management Inc.

300 E. Long Lake Road, Suite 355,
Bloomfield Hills, Mich. 48013; (313)
645-5130

Key to abbreviations

C: Corporate
E: Educational endowment
F: Private foundation
G: U.S. state/local gov't
J: Jointly trusteed
P: Canadian provincial gov't
U: Unions (Canadians only)

Let us help guide your employees through the 401(k) investment maze.



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You're not in business to provide 401(k) investment directions for your employees. Yet most retirement programs leave them with nowhere else to turn.

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With Michigan National's Asset Allocation Program, professional managers determine the portfolio mix for your employees. The ability of professionals to quickly react to changing market conditions, instead of once a quarter, enhances investment performance. This means your employees don't have to be Wall Street analysts to reap the rewards of a 401(k) program.

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Go with the 401(k) program that points your employees in the right direction. Phone 1-800-CALL-MNB.

Michigan National Corporation

Total assets managed	$159,000,000
Tax-exempt assets managed	
Total	$130,000,000
Separate accounts	$130,000,000
Equity real estate assets	$117,000,000
Mortgage assets	$13,000,000
Minimum separate account	$2,000,000
Tax-exempt clients	7
Types of accounts managed	CJ
No. of portfolio managers	3
Size of research staff	5

Acquest Capital Management Inc. is a real estate manager emphasizing product knowledge, market research, sophisticated financial analysis, development skills, management control and integrity.

The asset mix Jan. 1 was 90% equity real estate and 10% mortgages.

U.S. tax-exempt clients include Dow Chemical and Laborers' Pension.

David G. Ong, president, is chief investment officer; Delores Hoenes, asset manager, is client contact.

The Adams Express Co.

7 St. Paul St., Baltimore, Md. 21202;
(301) 752-5900

Total assets managed	$456,000,000
Tax-exempt assets managed	
Total	$3,000,000
Pooled accounts	$3,000,000
Minimum separate account	$5,000,000
Tax-exempt clients	3
Types of accounts managed	C
No. of portfolio managers	2
Size of research staff	8

The Adams Express Co. is a defensively oriented active equity manager, emphasizing quality growth at reasonable prices, based on low p/es and Graham & Dodd principles. Its investment approach is risk-averse, with a strong commitment to in-house research. Options are used.

The firm follows 100 stocks closely and 175, generally; all research is generated internally.

W.D. MacCallan is chief investment officer; Simeon F. Wooten III is client contact.

Addison Capital Management

1608 Walnut St., 13th Floor,
Philadelphia, Pa. 19103; (215)
735-2121

Total assets managed	$217,000,000
Tax-exempt assets managed:	
Total	$58,000,000
Separate accounts	$58,000,000
Minimum separate account	$5,000,000
Tax-exempt clients	7
Types of accounts managed	CJG
No. of portfolio managers	3

Addison Capital Management is an active equity and balanced manager.

The firm's value-oriented, diversified equity approach favors stocks showing strong price and earnings momentum. In fixed-income, the firm uses a high-quality, laddered maturity approach.

The asset mix Jan. 1 was 97% equities, 1% bonds and 2% cash.

The parent is Janney Montgomery Scott Inc.

Jay R. Massey, president, is chief investment officer and client contact.

Advanced Investment Management Inc.

2 Oliver Plaza, Suite 2020, Pittsburgh,
Pa. 15222; (412) 762-2415

Total assets managed	$700,000,000
Tax-exempt assets managed:	
Total	$700,000,000
Separate accounts	$700,000,000
Equity indexed assets	$100,000,000
Minimum separate account	$5,000,000
Tax-exempt clients	33
Types of accounts managed	CEFG
No. of portfolio managers	4
Size of research staff	1

Advanced Investment Management Inc. is an active and passive equity, passive fixed-income, balanced and hedging/enhancement manager.

Its equity approach is based on quantitative strategies emphasizing growth stocks, with expertise in indexing and hedging to meet client risk tolerances. Its fixed-income approach is hedged. Options, stock index futures and fixed-income futures are used.

The asset mix Jan. 1 was 90% equity, 5% bonds and 5% cash.

Portfolio insurance is provided to 19 clients and covers $250 million in U.S.

The parent is PNC Financial Corp.

U.S. tax-exempt clients include Carnegie Mellon University, Hershey Foods and Westinghouse Electric.

J. Thomas Allen, president, is chief investment officer and client contact.

Advanced Quantitative Strategies Inc.

1180 W. Swedesford Road, Suite 380,
Berwyn, Pa. 19312; (215) 889-3103

Total assets managed	$4,000,000
Tax-exempt assets managed:	
Total	$4,000,000
Separate accounts	$4,000,000
Minimum separate account	$1,000,000
Tax-exempt clients	2
Types of accounts managed	C
No. of portfolio managers	2
Size of research staff	2

Advanced Quantitative Strategies Inc. is an active equity manager.

The firm employs a quantitative system to select neglected stocks. The strategy combines value, earnings momentum and balance sheet quality in a multifactor model.

All assets were in equities Jan. 1.

Alexander Parkhurst, president, is chief investment officer; Edward F. Bowman, executive vice president, is client contact.

Aegis Capital Management

40 Wall St., New York, N.Y. 10005;
(212) 363-8200

Total assets managed	$31,000,000
Tax-exempt assets managed:	
Total	$12,000,000
Separate accounts	$12,000,000
Minimum separate account	$1,000,000
Tax-exempt clients	2
Types of accounts managed	C
No. of portfolio managers	2

Aegis Capital Management Corp. is an active fixed-income, short-term and options and futures manager.

Its primary fixed-income approach combines dynamic yield enhancement and risk-controlled arbitrage. Options, stock index and fixed-income futures are used to protect principal, create liquidity and enhance yields for U.S. Treasury portfolios.

Jonathan B. Greenspan, chief trader, is chief investment officer; Thomas P. Zucosky, president, is client contact.

Aetna Capital Management

145 King St. W., 14th Floor, Toronto,
Ontario M5H 3T7; (416) 864-3880

Total assets managed	$1,724,000,000
Tax-exempt assets managed:	
Total	$480,000,000
For subsidiaries of U.S. firms	$24,000,000
Real estate assets	$159,000,000
Non-North American assets	$7,000,000
Dedicated assets managed	$72,000,000
Minimum separate account	$4,000,000
Tax-exempt clients	86
U.S. subsidiaries	3
Types of accounts managed	CGU
No. of portfolio managers	4
Size of research staff	3

Aetna Capital Management Ltd., a Canadian firm, is an equity, fixed-income, balanced, real estate, U.S. equity and short-term money market manager.

Its equity approach emphasizes individual stock selection based on fundamental value considerations. About 20% to 25% of the decision is based on the economic and market environment.

Its fixed-income approach is to select the proper sector structure and term exposure within acceptable risk/reward limitations. They are market timers only to the extent of a 5% to 25% cash equivalent range.

For real estate, it offers closed-end funds for direct ownership of up to 75% of a property.

The parent is Aetna Canada.

Peter Stuart, president, is chief investment officer and client contact.

For reprints of articles appearing in *Pensions & Investment Age*, contact:

Sabine Schramm
P&I Age
740 N. Rush St.,
Chicago, Ill. 60611;

Aetna Capital Management International Ltd.

151 Farmington Ave., Hartford, Conn.
06156; (203) 273-0123

See entry for AETNA LIFE INSURANCE CO.

Aetna Life Insurance Co.

151 Farmington Ave., Hartford, Conn.
06156; (203) 273-0123

Total assets managed	$81,500,000,000
Total discretionary assets	$43,520,000,000
Tax-exempt assets managed:	
Total	$43,520,000,000
Pooled accounts	$6,445,000,000
Separate accounts	$3,110,000,000
GICs	$14,058,000,000
Annuities	$7,554,000,000
Other	$12,353,000,000
401(k)/457 assets managed	$6,492,000,000
No. of 401(k)/457 plans	417
Equity real estate assets	$4,890,000,000
Mortgage assets	$16,163,000,000
International equity assets	$189,000,000
Equity indexed assets	$296,000,000
Fixed-income indexed assets	$58,000,000
Dedicated/immunized assets	$52,000,000
Minimum separate equity account	$5,000,000
Minimum separate bond account	$25,000,000
Tax-exempt clients:	
Pooled	2,094
Separate	66
Types of accounts managed	CEFJG
No. of portfolio managers	12
Size of research staff	25

Aetna Life Insurance Co. is an active and passive equity, active and passive fixed-income, balanced, tactical asset allocation, real estate, active and passive international equity, short-term and GIC manager.

Its active equity approach emphasizes companies with positive future earnings momentum and superior relative p/e ratio targets.

Its active fixed-income approach uses sector analysis and is designed to control market risk while emphasizing cash flow and value to maximize total returns. Cash is used to govern duration within a prescribed band and generally is less than 25% of a portfolio.

Options, stock index futures and fixed-income futures are used.

Its real estate approach includes strategic analysis, acquisition, aggressive property management and a disciplined sales program.

The separate account asset mix Jan. 1 was 29.1% equity, 6.1% bonds, 18.4% cash, 44.4% equity real estate and 2% international equity.

Portfolio insurance is provided to 35 clients.

The parent is Aetna Life & Casualty.

Philip R. Roberts, senior vice president, is chief investment officer; John E. Arant, vice president, is client contact.

The data above include the assets of the following subsidiary.

- Aetna Capital Management International Ltd., with $189 million in tax-exempt assets, uses centralized asset and country allocation with regional sector and stock selection to add value. Country and stock selection is based on technical factors and economic analysis with a view toward identifying markets and stocks with high but undervalued expected returns. Portfolios are diversified within predetermined risk parameters and currency hedging is used as a selective defensive measure.

Mr. Roberts is the chief investment officer. Thomas V. Scanlon, director, is client contact.

AFA Financial Inc.

525 Hanna Bldg., Cleveland, Ohio
44115; (216) 861-1050

Total assets managed	$173,000,000
Tax-exempt assets managed:	
Total	$124,000,000
Separate accounts	$124,000,000
Mortgage-backed assets	$500,000
Minimum separate account	$100,000
Tax-exempt clients	121
Types of accounts managed	CFG
No. of portfolio managers	3
Size of research staff	1

AFA Financial Inc. is an active equity, active fixed-income and balanced manager.

For equities, the firm follows a strict discipline, investing in high-quality companies that have historically pro-

dends and that possess significant potential for capital appreciation. Its fixed-income approach is based on interest rate anticipation, buying high-quality corporates or governments with maturities less than 10 years.

The asset mix Jan. 1 was 90% equities, 2% bonds and 8% cash.

The parent is AFA Capital Corp.

James R. Krebs, vice president, is chief investment officer; James A. Hammett, vice president, is client contact.

AGEPASA

Calle Felipe IV 7, 28014 Madrid,
Spain; 341-532-9912

Total assets managed	$700,000,000
Tax-exempt assets managed	$0
Minimum separate account	$1,000,000
No. of portfolio managers	6
Size of research staff	12

AGEPASA is an active equity, international/global equity, short-term and futures and options manager.

The firm's primary equity approach combines sector rotation with growth, emerging growth and low p/e stocks. The primary fixed-income approach is interest anticipation. Options, stock index futures and fixed-income futures are used.

Jose Luis Varez Fisa is chief investment officer; Jose Luis Diaz is client contact.

AgriVest

500 Winding Brook Drive,
Glastonbury, Conn. 06033; (203)
659-3711

Total assets managed	$350,000,000
Tax-exempt assets managed	$0
Minimum separate account	$3,000,000
No. of portfolio managers	3

AgriVest is a real estate manager that makes conservative, value-oriented investments, both equity and debt, in agricultural real estate in the major U.S. agricultural regions.

George E. Schwab, president, is chief investment officer; James B. McCandless, executive vice president, is client contact.

AIG Global Investors Inc.

1 World Financial Center, 19th Floor,
New York, N.Y. 10281; (212)
266-0400

Total assets managed	$10,200,000,000
Tax-exempt assets managed:	
Total	$57,000,000
Separate accounts	$57,000,000
International equity assets	$57,000,000
Minimum separate account	$10,000,000
Tax-exempt clients	1
Types of accounts managed	C
No. of portfolio managers	8

AIG Global Investors Inc. is an active international/global equity and fixed-income manager.

Its equity approach is top-down/bottom-up, with an emphasis on growth stocks. Its fixed-income approach uses interest rate anticipation and currency movement forecasts. Options and fixed-income futures are used.

All tax-exempt assets were in international equity Jan. 1.

The parent is American International Group.

Richard J. Hoffman, president, is chief investment officer and client contact.

A I M Management Group

11 Greenway Plaza, Suite 1919,
Houston, Texas 77046; (713)
626-1919

Total assets managed	$11,860,000,000
Tax-exempt assets managed:	
Total	$3,118,000,000
Commingled accounts	$3,022,000,000
Separate accounts	$96,000,000
401(k)/457 assets managed	$76,000,000
No. of 401(k)/457 plans	3
Tax-exempt clients:	
Separate	5
Types of accounts managed	CEFJG
No. of portfolio managers	7
Size of research staff	10

A I M Management Group is an active equity, active and passive fixed-income, balanced, convertible and mutual fund manager.

Its primary equity approach uses growth and emerging growth stocks that are monitored on the basis of earnings momentum and relative strength in the marketplace. Options are used in the convertible strategy.

In fixed-income, the firm creates overdiversified portfolios loaded with lower-quality issues to capitalize on yield premiums and buys convertibles, seeking a high level of current income

Kiene, Wooters & Associates announces its new name

The Clifton Group

and an expansion of ownership.

Founding partner, Robert L. Wooters will be joined by new partners

Richard E. Ballsrud, CFA
Director of Fixed Income Investments

Jack J. Hansen, CFA
Director of Equity Investments

Rosemary Janousek
Director of Operations

and

Kevin B. Erdman
Director of Marketing and Sales.

Richard C. Kiene, a current partner, will be leaving the firm.

The Clifton Group is an independent investment management company, registered since 1972. We specialize in index management and value-added derivative strategies for equity and fixed income portfolios.

The Clifton Group
Investment Management Company

109 Clifton Avenue • Minneapolis, Minnesota 55403 • 612-870-8800

exceeding yields in the equity market.

The separate account asset mix Jan. 1 was 23.2% equities, 71.3% bonds and 5.5% cash.

Charles T. Bauer, director, is chief investment officer; Gary T. Crum, president, is client contact.

Albion Management Group

Alta Lodge, Alta, Utah 84092; (801)
742-3500

Total assets managed	$13,000,000
Tax-exempt assets managed	
Total	$3,000,000
Separate accounts	$3,000,000
401(k)/457 assets managed	$706,000
No. of 401(k)/457 plans	2
Minimum separate account	$250,000
Tax-exempt clients	37
Types of accounts managed	C
No. of portfolio managers	2

Albion Management Group is an active equity, fixed-income and balanced manager.

In equities, it emphasizes growth, emerging growth and low p/e stocks. It seeks overlooked values, especially companies with a market niche, growth and earnings potential, hidden assets and other special situations. Options and stock index futures are used.

Its fixed-income approach relies on interest rate anticipation.

The asset mix Jan. 1 was 22.7% equity, 8.9% bonds and 68.4% cash.

William Toby Levitt, president, is chief investment officer; Heidi Mosburg, vice president, is client contact.

Aldrich, Eastman & Waltch

265 Franklin St., Boston, Mass. 02110;
(617) 439-9000

Total assets managed	$3,600,000,000
Tax-exempt assets managed	
Total	$3,600,000,000
Pooled accounts	$435,000,000
Separate accounts	$3,165,000,000
Equity real estate assets	$1,080,000,000
Mortgage assets	$2,520,000,000
Minimum separate account	$100,000,000
Tax-exempt clients:	
Separate	17
Types of accounts managed	CEJG

Aldrich, Eastman & Waltch Inc. is a real estate manager.

Its investment approach is flexible and opportunistic, reflecting property fundamentals and current market conditions. It emphasizes adding value through active management of both the property and the capital structure of the investment.

The fixed-rate real estate mortgage investment program seeks spreads of between 150 and 250 basis points over comparable Treasuries, and may involve creative investment structures and unusual property types.

The asset mix Jan. 1 was 30% equity real estate and 70% mortgages, including those with equity participation.

U.S. tax-exempt clients include AT&T, BellSouth, Digital and GM.

Thomas G. Eastman, principal, is chief investment officer; Robert J. Hannan, vice president, is client contact.

Fred Alger Management Inc.

75 Maiden Lane, New York, N.Y.
10038; (212) 806-8800

Total assets managed	$1,416,000,000
Tax-exempt assets managed:	
Total	$1,304,000,000
Separate accounts	$1,304,000,000
Mortgage-backed assets	$40,000,000
Minimum separate equity account	$500,000
Minimum separate bond account	$20,000,000
Tax-exempt clients	37
Types of accounts managed	CFG

Fred Alger Management Inc. is an active equity and fixed-income, balanced, short-term and convertible manager.

Its bottom-up, growth stock approach focuses on companies experiencing positive life-cycle changes or high unit volume growth.

Its fixed-income approach is based on interest rate anticipation, sector analysis and credit research, seeking to achieve consistent, above-average returns through active maturity and sector selection.

The asset mix Jan. 1 was 78.4%

Fred M. Alger, president and chairman of the board, is chief investment officer; George Boggio, executive vice president, is client contact.

Alliance Capital Management L.P.

1345 Avenue of the Americas, New
York, N.Y. 10105; (212) 969-1000

Total assets managed	$33,378,000,000
Tax-exempt assets managed	
Total	$23,810,000,000
Separate accounts	$23,810,000,000
Mortgage-backed assets	$4,000,000
International equity assets	$722,000,000
International fixed-income assets	$3,000,000
Equity indexed assets	$5,461,000,000
Fixed-income indexed assets	$1[illegible]0,000,000
Dedicated/immunized assets	$150,000,000
Minimum separate account	$10,000,000
Tax-exempt clients	339
Types of accounts managed	CEFGJ
No. of portfolio managers	40
Size of research staff	18

Alliance Capital Management L.P. offers active and passive equity and fixed-income management both domestically and internationally, as well as balanced, tactical asset allocation, short-term, venture capital and convertible securities accounts.

Its primary equity approach seeks to invest in two- to three-year relative earnings strength at an early stage and at a reasonable price. Sector rotation is used.

In fixed-income, the firm manages market risk by limiting duration deviations from market. Value is added through heavy sector concentrations and opportunity trading.

It uses options, stock index futures and fixed-income futures.

The asset mix Jan. 1 was 78% stocks, 17% bonds and 5% cash.

The parent is Equitable Life Assurance Society of the United States.

Dave H. Williams, chairman, is chief executive officer; Barbara A. Barringer, marketing officer, is client contact.

Allianz Investment Corp.

2323 Bryan St., Suite 1890, Dallas,
Texas 75201; (212) 978-7900

Total assets managed	$2,500,000,000
Tax-exempt assets managed:	
Total	$35,000,000
Separate accounts	$35,000,000
Tax-exempt clients	2
Types of accounts managed	C
No. of portfolio managers	4
Size of research staff	5

Allianz Investment Corp. is an active equity and fixed-income, balanced, real estate, short-term and tactical asset allocation manager.

Its equity approach uses low p/e and growth stocks with a large-cap core portfolio. Its fixed-income approach is based on interest rate anticipation and sector analysis. Its real estate approach focuses on commercial properties, including offices, industrial and retail sites nationwide.

The asset mix Jan. 1 was 11.5% equity, 80.5% bonds and 8% cash.

The parent company is Allianz A.G.

Ronald M. Clark, president, is chief investment officer and client contact.

Allstate Life Insurance Co.

Allstate Plaza West, Northbrook, Ill.
60062; (312) 402-5000

Total assets managed	$8,411,000,000
Total discretionary assets	$2,119,000,000
Tax-exempt assets managed:	
Total	$2,119,000,000
GICs	$1,448,000,000
Annuities	$671,000,000
401(k)/457 assets managed	$533,000,000
No. of 401(k)/457 plans	116
Mortgage assets	$1,009,000,000
Mortgage-backed assets	$225,000,000
Dedicated/immunized assets	$885,000,000
Types of accounts managed	CG
No. of portfolio managers	5
Size of research staff	22

Allstate Life Insurance Co. is a guaranteed investment contract manager.

Clients include GTE, Shell Oil, TRW and Unisys.

The parent is Allstate Insurance Co.

Louis G. Lower II, executive vice president, is chief investment officer; Henry Hsiang, director-pension marketing, is client contact.

Alpine Capital Management

650 S. Cherry St., Suite 700, Denver,
Colo. 80222; (800) 826-6677

Total assets managed	$202,000,000
Tax-exempt assets managed:	
Total	$145,000,000
Separate accounts	$145,000,000
401(k)/457 assets managed	$3,000,000
No. of 401(k)/457 plans	5
Minimum separate account	$250,000
Tax-exempt clients	104
Types of accounts managed	CEFJ
No. of portfolio managers	5
Size of research staff	2

Alpine Capital Management is an active equity, active fixed-income and balanced manager.

Its equity approach relies on sector rotation concentrating on asset allocation and industrial selection. Options are used in a covered call writing program. Its fixed-income approach is based on interest rate anticipation, investing in Treasuries and high-quality, investment-grade corporate bonds.

The asset mix Jan. 1 was 80% equity, 10% bonds and 10% cash.

James Morrill is chief investment officer; Andre Ratkai is client contact.

Am Cal Advisors Co.

4730 Woodman Ave., Suite 220,
Sherman Oaks, Calif. 91423; (818)
990-3250

Total assets managed	$234,000,000
Tax-exempt assets managed	$72,000,000
Equity real estate assets	$41,000,000
Mortgage assets	$31,000,000
Minimum separate account	$5,000,000
Tax-exempt clients	11
Types of accounts managed	J
No. of portfolio managers	5
Size of research staff	3

Am Cal Advisors Co., formerly August-Am Cal Advisors Inc., is a real estate manager.

Its investment approach emphasizes cash-on-cash return to exceed 12-year Treasuries and 150 basis points with preservation of capital through appreciation in value to exceed the inflation rate by 3%.

The asset mix Jan. 1 was 57% equity real estate and 43% mortgages.

U.S. tax-exempt clients include Hawaii Masons, Albuquerque Pipes and Southern Electrical.

James B. McKenna is chief investment officer; Vincent G. Maher is client contact.

Amalgamated Bank of New York

11-15 Union Square W., New York,
N.Y. 10003; (212) 255-6200

Total assets managed	$1,500,000,000
Tax-exempt assets managed:	
Total	$1,500,000,000
Separate accounts	$1,500,000,000
Mortgage-backed assets	$100,000,000
Minimum separate account	$1,000,000
Tax-exempt clients	133
Types of accounts managed	J
No. of portfolio managers	4
Size of research staff	4

Amalgamated Bank of New York is an active fixed-income manager, emphasizing interest rate anticipation.

It seeks to generate attractive current income, avoid losses and conserve principal during troubled markets.

The asset mix Jan. 1 was 85% bonds (including mortgage-backed securities) and 15% cash.

Clients include ILGWU, Hospital and Health Care Employes and National Maritime Union.

Richard Cohen, first vice president, is chief investment officer and client contact.

Amalgamated Trust and Savings Bank

1 W. Monroe St., Chicago, Ill. 60603;
(312) 822-3173

Total assets managed	$250,000,000
Tax-exempt assets managed:	
Total	$240,000,000
Separate accounts	$240,000,000
Tax-exempt clients	50
Types of accounts managed	CGJ
No. of portfolio managers	3

Amalgamated Trust and Savings Bank is an active equity, active fixed-income and balanced manager.

ing value selection and a market-driven sell discipline. Options are used.

Its fixed-income approach uses interest rate anticipation. Quality, current income and maturity balance are emphasized.

The asset mix Jan. 1 was 5% stocks and 95% bonds.

Michael M. Karnes, senior vice president, is the chief investment officer and client contact.

AMB Institutional Realty Advisors

505 Montgomery St., San Francisco,
Calif. 94104; (415) 956-5100

Total assets managed	$676,000,000
Tax-exempt assets managed	$0
Minimum separate account	$25,000,000
No. of portfolio managers	2
Size of research staff	1

AMB Institutional Realty Advisors, a real estate manager, emphasizes substantially leased industrial, retail and office properties between $3 million and $30 million in major markets in the West. It takes separate accounts only.

Hamid R. Molhadam, principal, is chief investment officer; W.A. (Tony) Burton, vice president, is client contact.

Ambs Investment Counsel

1501 McKay Tower, Grand Rapids,
Mich. 49503; (616) 454-4535

Total assets managed	$134,000,000
Tax-exempt assets managed:	
Total	$101,000,000
Separate accounts	$101,000,000
Minimum separate account	$250,000
Tax-exempt clients	42
Types of accounts managed	CEF
No. of portfolio managers	2

Ambs Investment Counsel is an active equity, active fixed-income, balanced and short-term manager.

The firm's equity approach emphasizes growth and low p/e stocks. The fixed-income approach focuses on quality issues with maturities offering the most attractive risk/return over the near term.

The asset mix Jan. 1 was 38% equity, 44% bonds and 18% cash.

Keith L. Ambs, president, is chief investment officer and client contact.

American Agricultural Investment Management

631 E. Butterfield Road, Suite 302,
Lombard, Ill. 60148; (312) 810-0040

Total assets managed	$19,000,000
Tax-exempt assets managed	$12,000,000
Equity real estate assets	$12,000,000
Minimum separate account	$500,000
Tax-exempt clients	2
Types of accounts managed	CJ
No. of portfolio managers	3
Size of research staff	2

American Agricultural Investment Management Co. Inc., a farmland manager, selects prime income-producing farmland, diversified geographically and by commodity, in five selected agricultural areas.

All tax-exempt assets Jan. 1 were in equity real estate.

Clients are Owens-Illinois and Teamsters Affiliates, Washington.

H. Joseph Bourn, president, is chief investment officer; Paula Marie Tomsky is client contact.

American Asset Management Co.

200 Public Square, 26th Floor, Suite
3500, Cleveland, Ohio 44114-2301;
(216) 781-8899

Total assets managed	$444,000,000
Tax-exempt assets managed:	
Total	$207,000,000
Separate accounts	$207,000,000
Minimum separate account	$2,000,000
Tax-exempt clients	52
Types of accounts managed	CEF
No. of portfolio managers	5

American Asset Management Co. is an active equity, active fixed-income, balanced and short-term manager.

Its conservative equity approach emphasizes high-quality securities, selective diversification, low p/es, above-average yields, earnings visibility and

pation and uses securities with maturities of less than 10 years.

The asset mix Jan. 1 was 45% equity, 40% bonds and 15% cash.

James E. DiFiore, executive vice president, is chief investment officer; Joseph H. Thomas, president, is client contact.

American Capital Management Inc.

90 Broad St., New York, N.Y. 10004;
(212) 344-3300

Total assets managed	$46,000,000
Tax-exempt assets managed	$0
Minimum separate equity account	$500,000
No. of portfolio managers	2

American Capital Management Inc. is an active equity and balanced manager.

Its equity approach emphasizes investments in smaller growth companies with accelerating earnings momentum that appear undervalued and average $130 million in revenue. It looks for growth, profitability and financial strength.

Its fixed-income approach uses interest rate anticipation; investments are tailored to secular movements of inflation and lending rates with emphasis on short or long term.

Luke P. LaValle Jr., president, is chief investment officer and client contact.

American Capital Management & Research

2800 Post Oak Blvd., Houston, Texas
77056; (713) 993-0500

Total assets managed	$12,777,000,000
Tax-exempt assets managed:	
Total	$1,487,000,000
Pooled accounts	$1,487,000,000
Mortgage-backed assets	$4,000,000
Types of accounts managed	CEFG
No. of portfolio managers	15
Size of research staff	16

American Capital Management & Research Inc. is a mutual fund management company that manages government, mortgage, corporate and high-yield investment portfolios to provide an attractive blend of high current return and above-average total return. Each fund is managed separately and with varying styles.

Options, stock index futures and fixed-income futures are used.

The asset mix Jan. 1 was 30.6% equities, 63.4% bonds and 5.7% cash and 0.3% mortgage-backed securities.

The parent is Primerica Corp.

Robert C. Peck Jr. is executive vice president and chief investment officer-fixed income; Alan T. Sachtleben is senior vice president and chief investment officer-equities; Janet M. Young, assistant vice president, is client contact.

American Fund Advisors

50 Broad St., New York, N.Y. 10004;
(212) 482-8100

Total assets managed	$147,000,000
Tax-exempt assets managed:	
Total	$34,000,000
Separate accounts	$34,000,000
Minimum separate account	$250,000
Tax-exempt clients	9
Types of accounts managed	C
No. of portfolio managers	3

American Fund Advisors is an active equity and balanced manager.

Its primary equity approach emphasizes emerging growth stocks analyzed through Graham & Dodd principles. It has a value orientation, emphasizing technology and aviation. The focus is on cash flow and margin normalization. Options are used.

Its fixed-income approach is passive; investments are a function of objectives in balanced accounts.

Clients include ITT and Continental Telephone.

Barry J. Gordon is chief investment officer; Marc Klee, senior vice president, is client contact.

American Income Plus Inc.

1111 Chester Ave., Suite 810,
Cleveland, Ohio 44114; (216)
241-6010

Tax-exempt assets managed:	
Total	$50,000,000
Separate accounts	$50,000,000
Minimum separate account	$1,000,000
Tax-exempt clients	45
Types of accounts managed	CF
No. of portfolio managers	6

American Income Plus Inc. is an active equity and balanced manager.

The firm buys large-cap stocks that have uninterrupted dividend histories of 10 years, less than 50% long-term debt, and are at the higher end of their historical yield cycle. In balanced accounts, its fixed-income approach uses interest rate anticipation.

The asset mix Jan. 1 was 85% equity and 15% cash.

Robert L. Briechle is chief investment officer; Stephen A. Malbasa is client contact.

American National Bank & Trust Co.

736 Market St., Chattanooga, Tenn. 37402; (615) 757-3722

Total assets managed	$1,000,000,000
Tax-exempt assets managed:	
Total	$475,000,000
Commingled accounts	$58,000,000
Separate accounts	$417,000,000
401(k)/457 assets managed	$12,000,000
No. of 401(k)/457 plans	25
Fixed-income indexed assets	$12,000,000
Minimum separate account	$1,000,000
Tax-exempt clients:	
Commingled	150
Separate	200
Types of accounts managed	CEF
No. of portfolio managers	9
Size of research staff	1

American National Bank & Trust Co. is an active equity, active fixed-income, balanced and real estate manager.

Its value-oriented, large-cap equity approach emphasizes stocks with above-average historical expected growth and strong fundamentals that are selling at low relative prices.

Its primary fixed-income approach involves adjusting maturities relative to the Shearson Lehman Hutton index as the interest rate forecast changes. Fixed-income futures are used.

Real estate funds are managed by an affiliate, Third National Bank.

The asset mix Jan. 1 was 40% stocks, 40% bonds, 15% cash and 5% GIC's.

The parent is SunTrust Banks Inc.

Andrew J. Muldoon III, senior vice president, is chief investment officer; James A. Woods, vice president, is client contact.

American National Bank & Trust

Fifth and Minnesota Streets, St. Paul, Minn. 55101; (612) 298-6035

Total assets managed	$270,000,000
Tax-exempt assets managed:	
Total	$124,000,000
Commingled accounts	$65,000,000
Separate accounts	$59,000,000
Mortgage-backed assets	$10,000,000
Minimum separate account	$1,000,000
Tax-exempt clients:	
Commingled	110
Separate	20
Types of accounts managed	CEF
No. of portfolio managers	2

American National Bank & Trust is an active equity, active fixed-income, balanced and short-term manager.

Its equity approach is a value, low p/e, high-dividend style that is somewhat contrarian and uses disciplined computer-based management. Trinity Investment Management assists in equity management. Its primary fixed-income approach uses interest rate anticipation and actively manages durations between one and 10 years.

The asset mix Jan. 1 was 55% stocks, 40% bonds and 5% cash.

The parent is American Bancorp.

John P. Klett is chief investment officer; Jerome Yugend is client contact.

American Pension Management

177 Soundview Ave., White Plains, N.Y. 10606; (212) 269-9191

Total assets managed	$130,000,000
Tax-exempt assets managed:	
Total	$130,000,000
Separate accounts	$130,000,900
Minimum separate account	$1,000,000
Tax-exempt clients	9
Types of accounts managed	CEF
No. of portfolio managers	1

American Pension Management is an active equity, passive fixed-income and balanced manager.

Its equity approach is quantitative, using Graham & Dodd and market timing techniques with growth and emerging growth stocks. Options, stock index futures and fixed-income futures are used.

The asset mix Jan. 1 was 65% stocks, 30% bonds and 5% cash.

Jack R. Orben is chief investment officer and client contact.

Amerindo U.S. Advisors Inc.

60 E. Sir Francis Drake Blvd., Suite 300, Larkspur, Calif. 94939; (415) 461-5121

Total assets managed	$300,000,000
Tax-exempt assets managed:	
Total	$82,000,000
Separate accounts	$82,000,000
Minimum separate account	$5,000,000
Tax-exempt clients	4
Types of accounts managed	CEG
No. of portfolio managers	1
Size of research staff	4

Amerindo U.S. Advisors Inc. is an active, small-cap equity manager.

Its emerging growth investment approach focuses on applied science and technology companies. A top-down approach determines the degree of commitment to the sector while fundamental research is used to identify attractive companies.

All assets were in equities Jan. 1.

U.S. tax-exempt clients include Agway and Cornell University.

Albert W. Vilar, president, is chief investment officer. James W. Vogelzang, Vogelzang & Associates Inc., (303) 629-1900, is client contact.

Ameritas Investment Advisors Inc.

210 Gateway, Suite 200, Lincoln, Neb. 68505; (402) 467-6960

Total assets managed	$1,059,000,000
Tax-exempt assets managed:	
Total	$405,000,000
Pooled accounts	$366,000,000
Separate accounts	$39,000,000
Equity real estate assets	$22,000,000
Mortgage assets	$73,000,000
Mortgage-backed assets	$66,000,000
Minimum separate account	$1,000,000
Tax-exempt clients:	
Pooled	360
Separate	28
Types of accounts managed	CJG
No. of portfolio managers	6
Size of research staff	1

Ameritas Investment Advisors Inc. is an active equity, active fixed-income, real estate and short-term manager.

Its equity approach uses growth stocks, sector rotation and market timing in diversified portfolios of high-quality stocks with above-average predictable earnings. Options are used.

Its fixed-income approach uses interest rate anticipation and sector analysis, actively managing the maturity structures of portfolios of high-quality bonds.

The real estate approach is to invest in a diversified portfolio of credit-quality, income-producing and non-specialized office and industrial properties.

The asset mix Jan. 1 was 3% equities, 51% bonds, 2% cash, 6% equity real estate, 20% mortgages and 18% mortgage-backed securities.

The parent is Ameritas Life Insurance Corp.

Jon C. Headrick, executive vice president, is chief investment officer; John F. Leonhardt, director-pension client services, is client contact.

Ameritrust Co.

900 Euclid Ave., Cleveland, Ohio 44101-0937; (216) 737-4089

Total assets managed	$11,814,000,000
Tax-exempt assets managed:	
Total	$7,304,000,000
Commingled accounts	$1,016,000,000
Separate accounts	$6,288,000,000
401(k)/457 assets managed	$2,113,000,000
No. of 401(k)/457 plans	111
Mortgage-backed assets	$1,414,000,000
Equity indexed assets	$50,000,000
Dedicated/immunized assets	$37,000,000
Minimum separate account	$3,000,000
Tax-exempt clients:	
Commingled	200
Separate	220
Types of accounts managed	CEFGJ
No. of portfolio managers	11
Size of research staff	12

Ameritrust Co. is an active and passive equity, active fixed-income, balanced, passive global/international fixed-income, short-term and convertibles manager.

For equities, Ameritrust constructs broadly diversified portfolios consisting of low p/e issues when dividends return and fundamental value will provide superior long-term returns while limiting downside risk. The fixed-income approach, based on interest rate anticipation, stresses quality and a maturity structure so portfolios will generally have low volatility.

The asset mix Jan. 1 was 50% stocks, 28% bonds, 11% cash and 11% convertible securities.

U.S. tax-exempt clients include Ameritech, GM and Timken.

The parent is Ameritrust Corp.

Richard C. Hyde is executive vice president and chief investment officer; Gary W. Queen, senior vice president, is client contact.

Amherst Investment Management Co.

1414 Main St., Springfield, Mass. 01144; (413) 784-6863

Total assets managed	$1,036,000,000
Tax-exempt assets managed:	
Total	$99,000,000
Pooled accounts	$36,000,000
Separate accounts	$63,000,000
Minimum separate account	$10,000,000
Tax-exempt clients:	
Pooled	1
Separate	1
Types of accounts managed	C
No. of portfolio managers	3
Size of research staff	5

Amherst Investment Management Co. is an active equity, fixed-income, balanced and high-yield fixed-income manager.

Its equity approach combines MPT-based valuation models with fundamental and relative p/e analysis. Its fixed-income approach uses sector analysis. Options are used.

The asset mix Jan. 1 was 55% equity, 22% bonds, 12% cash, 3% equity real estate and 8% mortgage-backed securities.

The parent is Monarch Capital.

George W. Siguler, vice chairman, is chief investment officer; Arthur C. Gudikunst, senior vice president, is client contact.

AMI Asset Management International Inc.

26 Wellington St. E., Suite 900, Toronto, Ontario M5E 1S2; (416) 865-0731

Total assets managed	$5,689,000,000
Tax-exempt assets managed	$5,156,000,000

AMI Asset Management International Inc., a Canadian firm, through its divisions, subsidiaries and joint ventures, offers equity (Canadian, U.S. and international), fixed-income, balanced, real estate, venture capital and mutual fund management.

AMI is a partnership of 26 professionals. Carl H. Otto is chairman; Gary Kondrat is chief investment officer; Tania Murenko, vice president-corporate development, is client contact.

The following subsidiaries' assets are included in the data above, except in the cases of Penreal Advisors and Vengrowth Capital Fund, for which only assets managed for other AMI subsidiaries are included. Asset figures shown for these two divisions are for clients not connected with the AMI Group.

- European & Pacific Investment Management is a manager of managers, providing Canadian investors and pension funds with specialty management in U.S. and international equities by means of pooled funds and segregated management. International index management is available.

Robert Fleming, London; Jardine Fleming, Hong Kong; and State Street Research and Management Co., Boston, manage $311 on the firm's behalf.

International equity management emphasizes in-house research originated by Fleming's global network of analysts. Fundamental analysis is overlaid by a top-down approach to asset allocation.

Frank H. Brouwer, president, is chief investment officer. The client contact is Leonard A. McFarland, vice president.

- Montreal Investment Management manages $1.826 billion in tax-exempt assets. It offers equity, fixed-income and balanced management. Pure and modified equity index management is a specialty of the firm.

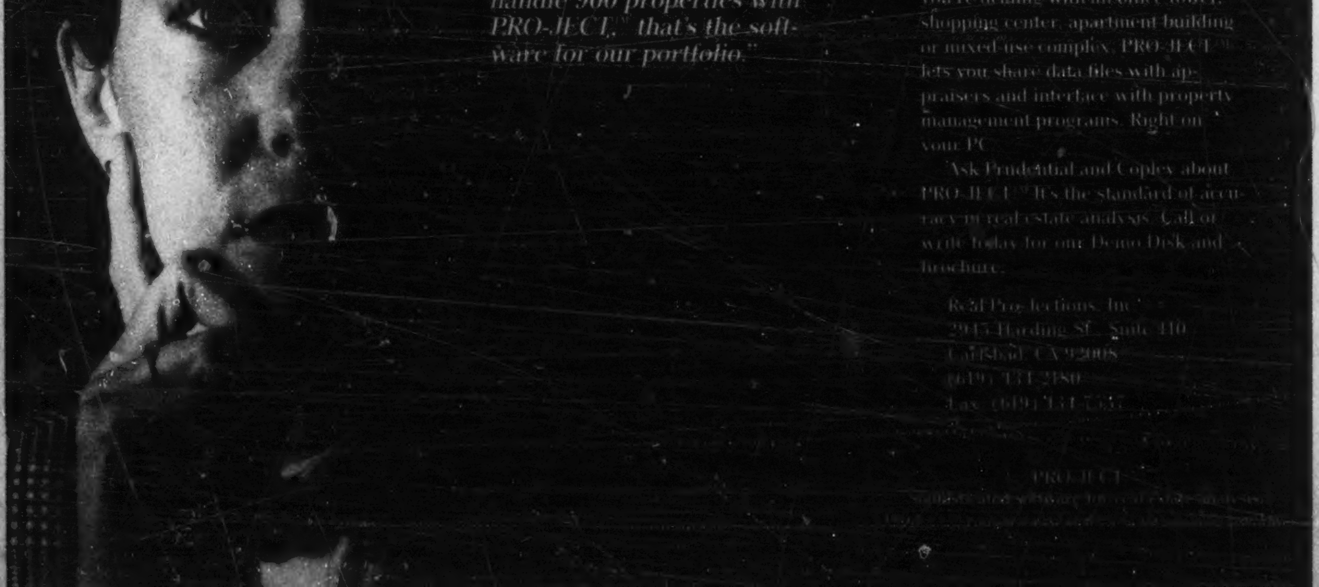
Its equity approach uses fundamental analysis with an emphasis on growth and low p/e stocks. Portfolios are highly diversified and value oriented.

Fixed-income portfolios are divided into a value-added core and an interest rate anticipation portion.

Balanced portfolios provide asset diversification by using non-North American, real estate and venture capital ve-

Key to abbreviations

C: Corporate
E: Educational endowment
F: Private foundation
G: U.S. state/local gov't
J: Jointly trusteed
P: Canadian provincial gov't
U: Unions (Canadians only)



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hicles.

Jean-Louis Desaulniers is president; Normand J. Gagnon, director of corporate development, is client contact.

- Toronto Investment Management manages $3.138 billion in tax-exempt assets in equity, fixed-income and balanced accounts.

The equity approach uses fundamental analysis with an emphasis on growth and low p/e stocks. Portfolios are highly diversified and value oriented.

The fixed-income approach is fundamentally oriented to economic and credit market research and emphasizes interest rate anticipation. Computer analysis and spread trading analysis is used extensively. Value is added through trades on the yield curve.

The asset mix Jan. 1 was 30% Canadian equities, 8% U.S. equities, 2% international, 40% bonds, 3% real estate and 17% cash.

The president is William J. Smith; Mr. Kondrat is chief investment officer; Ms. Murenko is client contact.

- Vanbrit Investment Management manages $187 million in tax-exempt assets.

The firm offers equity, fixed-income, balanced and money market management.

Its equity approach uses fundamental analysis with an emphasis on growth and low p/e stocks. Portfolios are highly diversified and value oriented.

Fixed-income portfolios are divided into a value-added core and an interest anticipation portion.

The asset mix Jan. 1 was 30% Canadian stocks, 8% U.S. equities, 2% international, 40% bonds, 3% real estate and 17% cash.

Larry D. Avant is president; G. Thomas Sheppard, vice president, is client contact.

- Penreal Advisors, an AMI joint venture, is a Canadian real estate adviser managing $140 million in tax-exempt assets.

Its investment approach focuses on the acquisition of income-producing properties and land in major Canadian cities where income and value can be enhanced by property development, improvement, expansion and intensive management.

The chief investment officer is Walter Badun, president; Garth D. Carefoot, vice president, is client contact.

- Vengrowth Capital Fund, an AMI joint venture, is a Canadian firm offering venture capital limited partnerships. It manages $59 million in tax-exempt assets.

The funds invest in the equity of well-managed, small to midsize Canadian and U.S. private companies.

Harry Mortimer, partner, is client contact.

Amoskeag Bank

875 Elm St., Manchester, N.H. 03108;
(603) 647-3200

Total assets managed	$450,000,000
Tax-exempt assets managed:	
Total	$152,000,000
Commingled accounts	$5,000,000
Separate accounts	$147,000,000
Minimum separate account	$300,000
Tax-exempt clients:	
Commingled	100
Separate	250
Types of accounts managed	CEF
No. of portfolio managers	6

Amoskeag Bank is an active equity, fixed-income and balanced manager.

Its equity approach is value-oriented, using growth and low p/e stocks with Graham & Dodd analysis. Its fixed-income approach uses interest rate anticipation.

The parent is Amoskeag Bank Shares Inc.

Sarah Q. (Kim) Yoshida, senior vice president, is chief investment officer; David McKenzie, vice president, is client contact.

AMR Investment Services

P.O. Box 619616, Dallas/Fort Worth
Airport, Texas 75261-9616; (817)
355-3509

Total assets managed	$5,830,000,000
Tax-exempt assets managed:	
Total	$1,650,000,000
Pooled accounts	$350,000,000
Separate accounts	$1,300,000,000
Dedicated/immunized assets	$854,000,000
Minimum separate account	$20,000,000
Tax-exempt clients:	
Pooled	12
Separate	3
Types of accounts managed	CEF
No. of portfolio managers	7
Size of research staff	3

AMR Investment Services Inc. is an active equity, active fixed-income, balanced and short-term manager. Real estate and international management is offered through external managers.

AMR manages $5.8 billion in total assets, of which $4.8 billion is tax-exempt. AMR manages $1.65 billion of the tax-exempt assets internally, with the remaining $3.15 billion managed by seven external firms.

Both the internal and external equity philosophy follows a low p/e, low price-to-book approach. The internal and external fixed-income strategies use sector analysis, stressing income requirements and low volatility.

International assets totaling $200 million and equity real estate assets totaling $10 million are handled by external managers on AMR's behalf.

Clients include Sky Chefs, First Southern Trust and American Airlines.

The parent is AMR Corp.

William F. Quinn, president, is chief investment officer; Richard N. Hoag and Bart Roberson, vice presidents-marketing, are client contacts.

AmSouth Bank

P.O. Box 11426, Birmingham, Ala.
35202; (205) 326-5512

Total assets managed	$4,546,000,000
Tax-exempt assets managed:	
Total	$2,512,000,000
Commingled accounts	$392,000,000
Separate accounts	$2,120,000,000
Minimum separate account	$1,000,000
Tax-exempt clients:	
Commingled	800
Separate	200
Types of accounts managed	CEFGJ
No. of portfolio managers	16

AmSouth Bank is an active equity, active fixed-income, balanced and short-term manager.

Its equity approach concentrates on undervalued, out-of-favor stocks, focusing on low p/e and using Graham & Dodd analysis. The bank seeks to capitalize on cyclical movements in stock prices and target stocks that are mispriced relative to their long-term value.

Its primary fixed-income approach uses interest rate anticipation, capitalizing on broad, cyclical movements.

The asset mix Jan. 1 was 45% stocks, 45% bonds and 10% cash.

John H. Goff Jr., senior vice president and senior trust officer, is chief investment officer; Jo-Ann D. Foster is client contact.

Analytic Investment Management Inc.

2222 Martin St., Suite 230, Irvine,
Calif. 92715; (714) 833-0294

Total assets managed	$1,234,000,000
Tax-exempt assets managed:	
Total	$1,234,000,000
Pooled accounts	$103,000,000
Separate accounts	$1,131,000,000
401(k)/457 assets managed	$25,000,000
No. of 401(k)/457 plans	10
Mortgage-backed assets	$10,000,000
Minimum separate account	$10,000,000
Tax-exempt clients:	
Pooled	2,300
Separate	30
Types of accounts managed	CEFJG
No. of portfolio managers	8
Size of research staff	3

Analytic Investment Management Inc. is an active equity, active fixed-income, short-term and equity overwriting manager.

Its equity approach is based on quantitative techniques, with a well-diversified portfolio that uses a variety of option strategies to enhance return and control risk.

Its fixed-income approach focuses on high-quality securities and related derivative securities. Portfolios are constructed to provide return enhancement to client specified duration levels.

Options, stock index futures and fixed-income futures are used.

The asset mix Jan. 1 was 90% stocks, 6% bonds, 3% cash and 1% mortgage-backed securities.

The parent is United Asset Management.

U.S. tax-exempt clients include Southern New England Telephone, Central Laborers and Houston Police.

Sheen T. Kassouf is chief investment officer; Kevin Hamilton and Mark Geist are client contacts.

ANB Investment Management

1 N. LaSalle St., Suite 600, Chicago,
Ill. 60690; (312) 661-5586

Total assets managed	$11,951,000,000
Tax-exempt assets managed:	
Total	$10,929,000,000
Commingled accounts	$7,281,000,000
Separate accounts	$3,648,000,000
Mortgage-backed assets	$68,000,000
International equity assets	$260,000,000
Equity indexed assets	$8,500,000,000
Fixed-income indexed assets	$900,000,000
Tax-exempt clients:	
Commingled	260
Separate	25
Types of accounts managed	CEFGJ
No. of portfolio managers	9
Size of research staff	11

ANB Investment Management Co. is an active and passive equity, active and passive fixed-income, balanced, tactical asset allocation and passive international/global equity manager.

Its primary equity approach offers broad diversification through passive management and enhanced index capabilities. Stock index futures are used. Its primary fixed-income approach is passive, and duplicates the equity approach.

The asset mix Jan. 1 was 88% stocks, 9% bonds and 3% cash.

Clients include NYNEX, Illinois Teachers, CTA and Commonwealth Edison.

The parent is American National Corp.

John R. Tilton is president and chief investment officer; Ken Sobolewski, manager-national sales, is client contact.

Anchor Capital Advisors Inc.

1 Post Office Square, 35th Floor,
Boston, Mass. 02109; (617)
423-9336

Total assets managed	$207,000,000
Tax-exempt assets managed:	
Total	$142,000,000
Separate accounts	$142,000,000
Mortgage-backed assets	$17,000,000
Minimum separate account	$250,000
Tax-exempt clients	110
Types of accounts managed	CFJG
No. of portfolio managers	3
Size of research staff	2

Anchor Capital Advisors Inc. is an active equity, active fixed-income and balanced manager.

Its primary equity approach is value-oriented, using low p/e stocks and Graham & Dodd analysis and seeking high yield total return. Its primary fixed-income approach uses interest rate anticipation.

The asset mix Jan. 1 was 40% stocks, 44% bonds and 16% cash.

Mark V. Rickabaugh is chief investment officer; Robert L. Croce, senior vice president, is client contact.

Anhalt/O'Connell Inc.

345 S. Figueroa St., Suite 303, Los
Angeles, Calif. 90071; (213)
622-0066

Total assets managed	$641,000,000
Tax-exempt assets managed:	
Total	$641,000,000
Separate accounts	$641,000,000
Minimum separate account	$5,000,000
Tax-exempt clients	8
Types of accounts managed	CG
No. of portfolio managers	2

Anhalt/O'Connell Inc. is an active fixed-income manager.

It uses fundamental data to identify interest rate trends and appropriate maturities. Put and call options are used as enhancements. It uses Treasury securities.

All assets were in cash Jan. 1.

Paul Anhalt and Michael O'Connell are chief investment officers; Ross McAdam, managing director, is client contact.

Aon Advisors Inc.

6604 W. Broad St., Richmond, Va.
23230; (804) 281-6447

Total assets managed	$3,602,000,000
Total discretionary assets	$3,115,000,000
Tax-exempt assets managed:	
Total	$1,349,000,000
Pooled accounts	$77,000,000
GICs	$985,000,000
Annuities	$69,000,000
Other	$218,000,000
401(k)/457 assets managed	$151,000,000
No. of 401(k)/457 plans	305
Equity real estate assets	$3,000,000
Mortgage assets	$283,000,000
Dedicated/immunized assets	$864,000,000
Tax-exempt clients:	
Pooled	16
Types of accounts managed	CJ
No. of portfolio managers	6

Aon Advisors Inc. is an active equity, active fixed-income, balanced, short-term and mortgage manager.

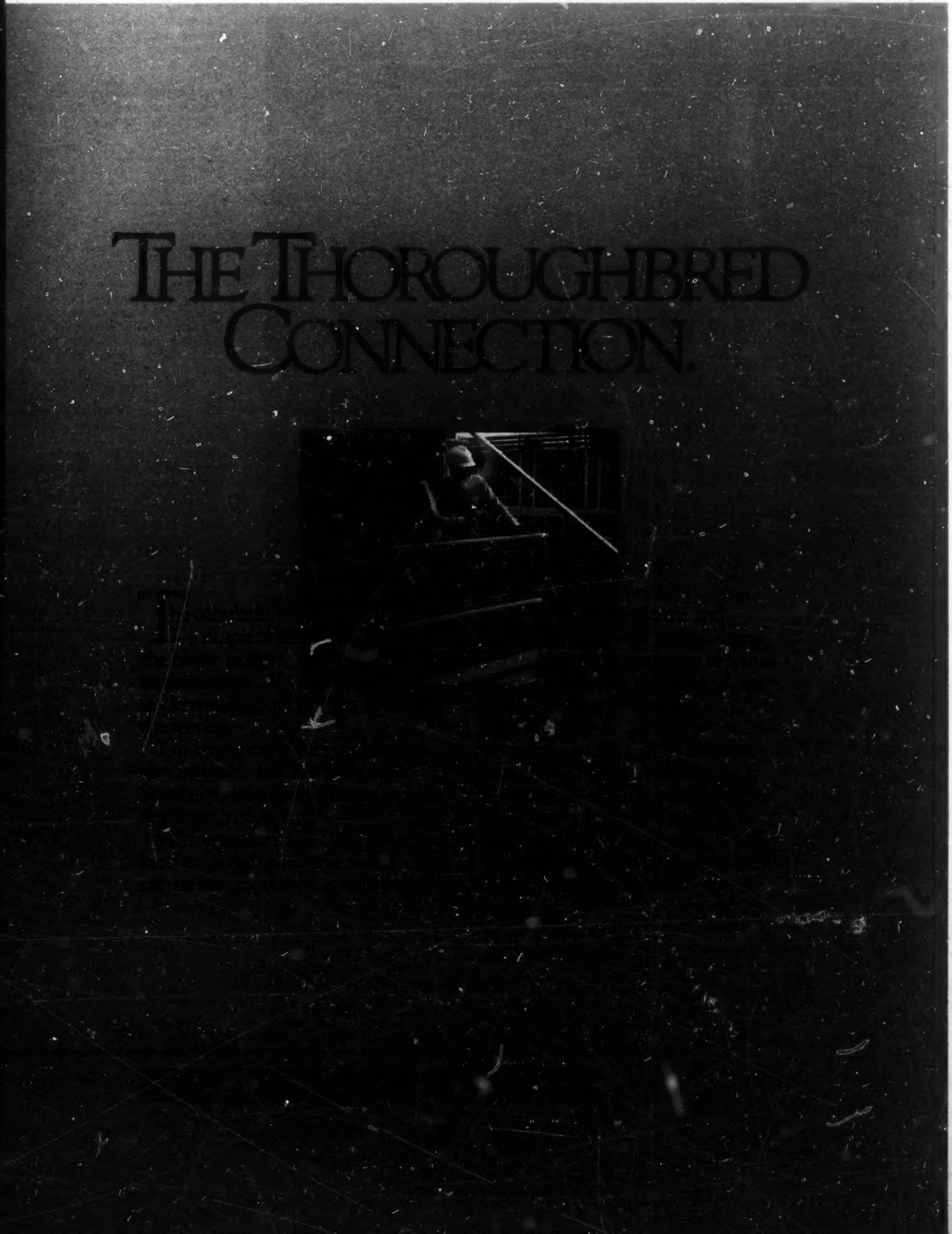
Its primary equity approach is quantitative. Its primary fixed-income approach emphasizes anticipating interest rate trends and selecting issues with improving credit characteristics not yet reflected in their current market price. Options also are used.

Its real estate approach seeks loans on significantly leased, income-producing real estate.

The separate account asset mix Jan. 1 was 48% equity, 48% bonds, 2% cash and 2% equity real estate.

The parent company is Aon Corp.

Robert Powell is chief investment officer; J. Garnett Nelson, executive



Apex Asset Management

4100 Campus Drive, Suite 200,
Newport Beach, Calif. 92660; (714) 752-2120

Total assets managed	$5,000,000
Tax-exempt assets managed	
Total	$2,000,000
Separate accounts	$2,000,000
Minimum separate account	$150,000
Tax-exempt clients	7
Types of accounts managed	C
No. of portfolio managers	1

Apex Asset Management, Inc., formerly Aegis Asset Management Inc., offers active and passive fixed-income and balanced management.

Its equity approach combines Graham & Dodd analysis and growth stocks. It concentrates on the economic environment and specific fundamentals of a company. Interest rate anticipation is used for fixed income.

The asset mix Jan. 1 was 45% equity, 45% bonds and 10% cash.

Dorothea Zimberoff, president, is chief investment officer and client contact.

Argus Investment Management

330 E. Canon Perdido, Suite C, Santa
Barbara, Calif. 93101; (805) 963-3558

Total assets managed	$181,000,000
Tax-exempt assets managed:	
Total	$112,000,000
Separate accounts	$112,000,000
Minimum separate account	$1,000,000
Tax-exempt clients	60
Types of accounts managed	CEF
No. of portfolio managers	4

Argus Investment Management is an active equity, balanced and tactical asset allocation manager.

The firm practices defensive asset allocation to protect assets in high-risk market environments. Equities are selected with a value bias plus insider and proprietary technical accumulation. Sector rotation and Graham & Dodd principles are used.

The fixed-income portion of balanced accounts is based on interest rate anticipation.

The asset mix Jan. 1 was 80% equities, 15% bonds and 5% cash.

James Alphier and Jon Bull are chief investment officers; Timothy R. Alward is client contact.

Argus Investors' Counsel

17 Battery Place, 18th Floor, New
York, N.Y. 10004; (212) 425-7500

Total assets managed	$675,000,000
Tax-exempt assets managed:	
Total	$529,000,000
Separate accounts	$529,000,000
Minimum separate account	$5,000,000
Tax-exempt clients	12
Types of accounts managed	CEFJ
No. of portfolio managers	2
Size of research staff	15

Argus Investors' Counsel Inc. is an active equity manager.

Argus' approach for employee benefit plans emphasizes broad industry diversification by investing in one company in each of 40 to 60 industries. Approximate equal weightings of holdings are maintained by following a strict contra-market rebalancing process. For foundations and endowments, Argus uses a high-yield/growth-of-income approach.

The asset mix Jan. 1 was 97% equity and 3% cash.

Argus is a member of the Argus Research Group.

Clients include United Mine Workers, University of Tulsa and the Wendt Foundation.

Herman I. Roseman, president, is chief investment officer; Michael J. Bonner, director of marketing, is client contact.

Ariel Capital Management

307 N. Michigan Ave., Chicago, Ill.
60601; (312) 726-0140

Total assets managed	$576,000,000
Tax-exempt assets managed:	
Total	$553,000,000
Pooled accounts	$15,000,000
Separate accounts	$538,000,000
Minimum separate account	$1,000,000
Tax-exempt clients:	
Separate	40
Types of accounts managed	CEFG
No. of portfolio managers	1
Size of research staff	2

Ariel Capital Management Inc. is an active equity manager.

Its approach uses Graham & Dodd analysis to seek undervalued companies with p/es of less than 11 and the potential to grow at 15% or more annually.

The asset mix Jan. 1 was 92% equities and 8% cash.

Clients include Florida State, Ford Motor, University of Michigan and The Common Fund.

John W. Rogers Jr., president, is chief investment officer; Darice M. Wright, senior vice president, is client contact.

Ariston Capital Management

12301 N.E. 10th Place, Suite 250,
Bellevue, Wash. 98005; (206)
454-1600

Total assets managed	$50,000,000
Tax-exempt assets managed:	
Total	$29,000,000
Separate accounts	$29,000,000
Minimum separate account	$100,000
Tax-exempt clients	42
Types of accounts managed	CFG
No. of portfolio managers	2
Size of research staff	2

Ariston Capital Management Corp. is a balanced and convertible securities manager.

Its approach combines growth, emerging growth and low p/e stocks with sector rotation and long-term market forecasting. Undervalued convertibles are used as a low-risk equity alternative. Fixed-income investing is based on interest rate anticipation.

All tax-exempt assets were in convertible securities Jan. 1.

Richard B. Russell is chief investment officer; Frederick L. Denman is client contact.

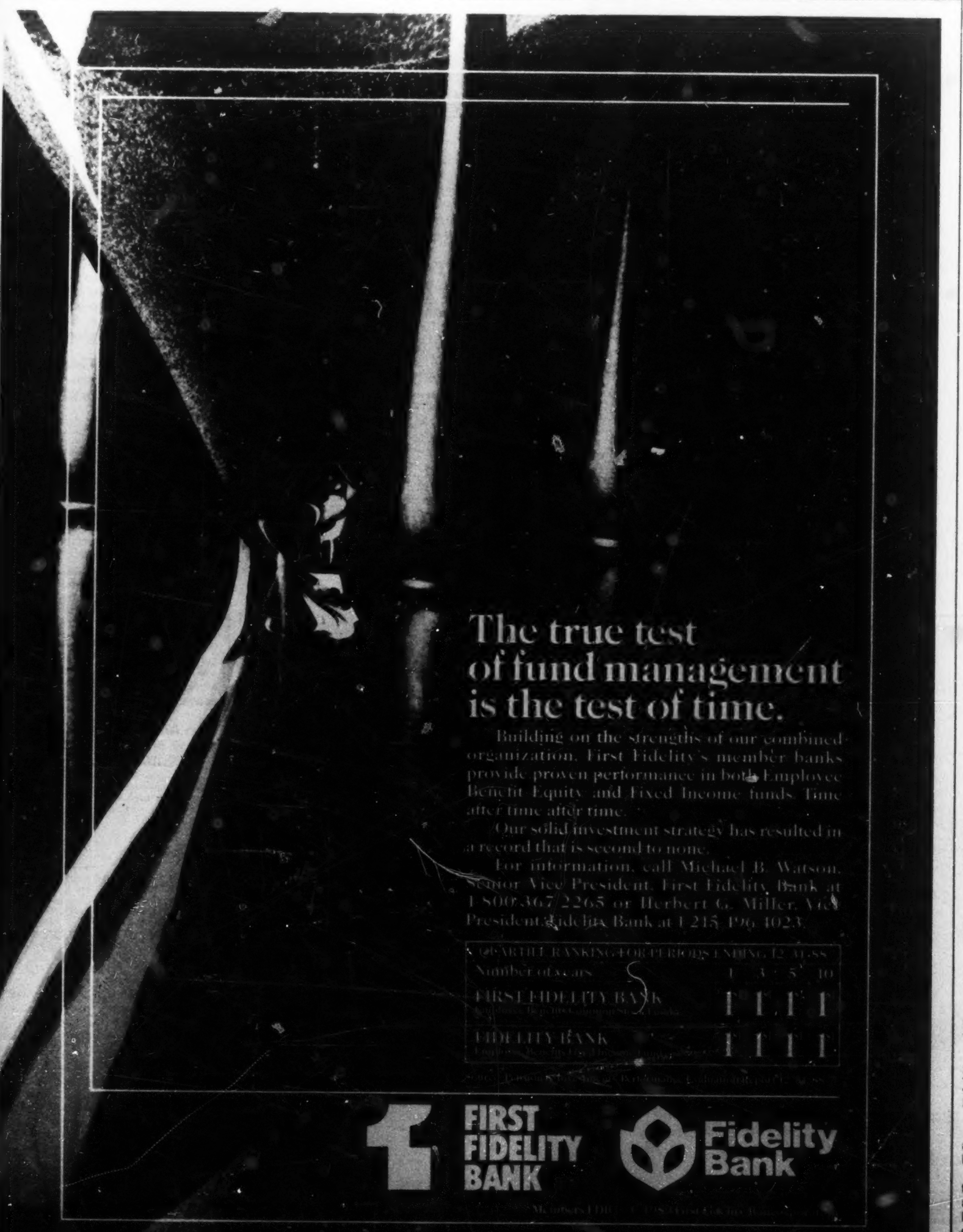
Arnold Investment Counsel

700 N. Water St., Milwaukee, Wis.
53202; (414) 271-2726

Total assets managed	$500,000,000
Tax-exempt assets managed:	
Total	$360,000,000
Separate accounts	$360,000,000
Minimum separate account	$500,000
Tax-exempt clients	210
Types of accounts managed	CEFJ
No. of portfolio managers	6

Arnold Investment Counsel Inc. is an active equity and fixed-income, balanced and short-term manager.

For equity investments, it takes a patient, disciplined, low-risk, contrarian approach to undervalued, large-cap, liquid issues. Cash is raised when nec-



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QUARTILE RANKING FOR PERIODS ENDING 12-31-88				
Number of years	1	3	5	10
FIRST FIDELITY BANK Employee Benefit Common Stock Funds	1	1	1	1
FIDELITY BANK Employee Benefits Fixed Income Funds	1	1	1	1

Source: [illegible] Performance Evaluation Report 12-31-88

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highly liquid, investment-grade securities.

The asset mix Jan. 1 was 90% equity, 5% bonds and 5% cash.

James R. Arnold Sr. is chief investment officer; Lilli Gust, executive vice president, is client contact.

Aronson & Fogler

230 S. Broad St., 20th Floor,
Philadelphia, Pa. 19102; (215)
546-7500

Total assets managed	$200,000,000
Tax-exempt assets managed	
Total	$200,000,000
Separate accounts	$200,000,000
Minimum separate account	$10,000,000
Tax-exempt clients	5
Types of accounts managed	CEF
No. of portfolio managers	5

Aronson & Fogler is an active equity manager following a value-oriented, quantitative and unemotional approach. The model-driven philosophy emphasizes classical security analysis; decision-making is computerized; and trading includes crossing and package approaches.

All assets were in equities Jan. 1.

Clients include University of Southern California, The Common Fund and Bell Atlantic.

Theodore R. Aronson and H. Russell Fogler are chief investment officers. Mr. Aronson is client contact.

ASB Capital Management

655 15th St. N.W., Suite 800,
Washington D.C. 20005; (202)
383-6389

Total assets managed	$6,652,000,000
Tax-exempt assets managed	
Total	$5,811,000,000
Pooled accounts	$1,373,000,000
Separate accounts	$4,438,000,000
401(k)/457 assets managed	$4,000,000
No. of 401(k)/457 plans	2
Equity real estate assets	$236,000,000
Mortgage-backed assets	$350,000,000
Equity indexed assets	$450,000,000
Minimum separate account	$500,000
Tax-exempt clients	
Pooled	21
Separate	123
Types of accounts managed	CEF
No. of portfolio managers	15
Size of research staff	7

ASB Capital Management Inc. is an active and passive equity, active fixed-income, balanced, real estate and short-term manager.

Its equity approach is oriented toward relative value; attractive securities are identified by quantitative ranking of value and fundamental factors. Sector emphasis is made accordingly.

Its fixed-income approach combines interest rate anticipation, maturity and sector shifts, swaps and arbitrage and timely selection of issues.

For real estate, the firm invests in high-quality, income-producing properties constructed with union labor, through participating and convertible mortgages and joint ventures.

The asset mix Jan. 1 was 28% stocks, 46% bonds, 16% cash, 4% equity real estate and 6% mortgage-backed securities.

The parent is American Security Bank.

Terence W. Collins, president, is chief investment officer; Ian W. Jones, vice president, is client contact.

Ashfield & Co. Inc.

750 Battery St., Suite 700, San
Francisco, Calif. 94111; (415)
391-4747

Total assets managed	$585,000,000
Tax-exempt assets managed:	
Total	$290,000,000
Pooled accounts	$5,000,000
Separate accounts	$285,000,000
Minimum separate account	$1,000,000
Tax-exempt clients:	
Pooled	1
Separate	140
Types of accounts managed	CEF
No. of portfolio managers	5
Size of research staff	5

Ashfield & Co. Inc., formerly Ashfield/Pacific Asset Management, is an active equity, active fixed-income and balanced manager.

Its primary equity approach emphasizes growth stocks with investments concentrated in small- and midsize companies with accelerating earnings assets and equity. Its primary fixed-income approach is based upon relative value in attractive market sectors.

The asset mix Jan. 1 was 44% equities, 49% bonds and 7% cash.

J. Stephen Thornborrow is the chief investment officer; J. Stephen Lauck and Andrew F. Mathieson are client contacts.

Ashland Management Inc.

26 Broadway, New York, N.Y. 10004;
(212) 425-2803

Total assets managed	$735,000,000
Tax-exempt assets managed	
Total	$618,000,000
Separate accounts	$618,000,000
Minimum separate account	$5,000,000
Tax-exempt clients	100
Types of accounts managed	CEFG

Ashland Management Inc., an active equity manager, seeks quality growth, low p/e stocks. Its uses Graham & Dodd analysis.

The asset mix Jan. 1 was 98%

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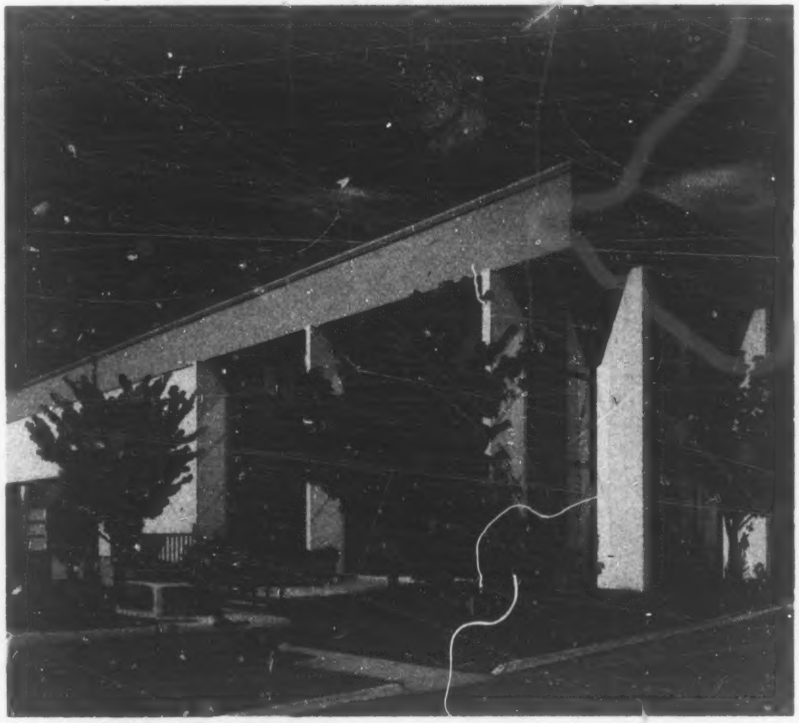

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Stanislaw Maliszewski
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Peter Steil
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The RREEF Funds

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stocks and 2% cash.

The firm follows 100 stocks closely and 1,200, generally; 90% of research is generated internally.

Charles C. Hickox is chief investment officer; Minot Amory is client contact.

Associated Capital Investors

555 California St., San Francisco,
Calif. 94104; (415) 393-0323

Total assets managed	$3,700,000,000
Tax-exempt assets managed:	
Total	$1,471,000,000
Pooled accounts	$44,000,000
Separate accounts	$1,427,000,000
Equity indexed assets	$169,000,000
Fixed-income indexed assets	$56,000,000
Dedicated/immunized assets	$230,000,000
Minimum separate account	$3,000,000
Tax-exempt clients:	
Pooled	3
Separate	46
Types of accounts managed	CFGJ
No. of portfolio managers	16

Associated Capital Investors Inc. is an active and passive equity, active and passive fixed-income, short-term and tactical asset allocation manager.

Its equity approach emphasizes value-oriented situations with above-average S&P total expected return potential with a bias toward companies that exhibit superior growth and profit characteristics.

Its active fixed-income management consists of moderate adjustments in duration accompanied by an emphasis in security and sector shifts.

Money market and limited risk management targets preservation of capital through credit quality control, adding value within sector and maturity shifts.

Options, stock index futures and fixed-income futures are used.

The asset mix Jan. 1 was 50% equity, 45% bonds and 5% cash.

Monarch Capital Corp. has a majority interest in the firm.

Thomas Kelly is chief executive officer and chief investment officer; Richard Frodsham, senior vice president and director of marketing, is client contact.

Astrop Advisory Corp.

5 Piedmont Center, Suite 417, Atlanta,
Ga. 30305; (404) 239-0707 or (800)
237-7073

Total assets managed	$355,000,000
Tax-exempt assets managed:	
Total	$134,000,000
Separate accounts	$134,000,000
401(k)/457 assets managed	$3,000,000
No. of 401(k)/457 plans	1
Equity indexed assets	$72,000,000
Minimum separate account	$1,000,000
Tax-exempt clients	28
Types of accounts managed	CEF
No. of portfolio managers	2

Astrop Advisory Corp. is an active and passive equity, active fixed-income and balanced manager.

Its equity approach is value oriented and focuses on growth stocks while using quantitative methods and sector rotation. Its fixed-income approach uses interest rate anticipation and sector analysis. The firm's security selection and market timing in both stocks and bonds focus on recognizing patterns with a high degree of predictability and on attributes that are far from average.

The asset mix Jan. 1 was 70% stocks, 10% bonds and 20% cash.

H. Eugene Caldwell, president, is chief investment officer; Michael B. Orkin, executive vice president-investments, is client contact.

Atalanta/Sosnoff Capital

499 Park Ave., New York, N.Y. 10022;
(212) 755-2800

Total assets managed	[illegible]100,000,000
Tax-exempt assets managed:	
Total	$2,000,000,000
Separate accounts	$2,000,000,000
Minimum separate account	$5,000,000
Tax-exempt clients	59
Types of accounts managed	CEFJG
No. of portfolio managers	5
Size of research staff	3

Atalanta/Sosnoff Capital Corp. is an active equity and balanced manager.

Its primary equity approach combines sector rotation and low p/e stocks. Managing portfolios in a prag-

on achieving absolute rates of return.

Its primary fixed-income approach uses interest rate anticipation and sector analysis. The firm avoids concentration in long maturities.

The asset mix Jan. 1 was 85% equities and 15% cash.

The firm follows 250 stocks closely and 600, generally; 80% of the research is generated internally.

U.S. tax-exempt clients include State of California, Chrysler, Alexander & Baldwin and State of Utah.

Martin T. Sosnoff is the chief investment officer; Suzanne Lawrence, marketing administrator, is the client contact.

Athene Coronado Management Corp.

26 Broadway, New York, N.Y. 10004;
(212) 422-6920

Total assets managed	$75,000,000
Tax-exempt assets managed:	
Total	$75,000,000
Separate accounts	$75,000,000
Minimum separate account	$5,000,000
Tax-exempt clients	6
Types of accounts managed	CJ
No. of portfolio managers	1
Size of research staff	1

Athene Coronado Management Corp., an active equity manager, specializes in merger arbitrage. The firm invests all assets in stocks of companies with announced mergers, tenders and reorganizations.

The asset mix Jan. 1 was 97% equity and 3% cash.

The firm follows 40 stocks closely.

Clients include Boeing and the Los Angeles Rapid Transit Authority.

Sharon J. Kalin, president, is chief investment officer and client contact.

Atlanta Capital Management

1360 Peachtree St., Suite 1600,
Atlanta, Ga. 30309; (404) 876-9411

Total assets managed	$1,416,000,000
Tax-exempt assets managed:	
Total	$1,375,000,000
Separate accounts	$1,375,000,000
Mortgage-backed assets	$2,000,000
Minimum separate account	$10,000,000
Tax-exempt clients	41
Types of accounts managed	CEFGJ
No. of portfolio managers	6

Atlanta Capital Management is an active and passive equity, active and passive fixed-income and balanced manager.

Its equity approach focuses on high-quality companies with above-average profitability and a growing stream of earnings. The firm uses a disciplined approach for comparing company worth to stock price.

Its approach to fixed-income is highly disciplined, using A or better securities and maturity optimization, which provides the highest expected return for a given level of risk.

The asset mix Jan. 1 was 80% stocks, 17% bonds and 3% cash.

The firm follows 150 stocks closely and 400, generally; 75% of the research is generated internally.

U.S. tax-exempt clients include American Airlines, Northeast Utilities, City of Miami and Fluor Corp.

Frederick L. Muller, president, is chief investment officer; Robert M. Varn is client contact.

Audit Investments Inc.

136 Summit Ave., Suite 200,
Montvale, N.J. 07645; (201)
358-2735

Total assets managed	$8,000,000
Tax-exempt assets managed:	
Total	$7,000,000
Separate accounts	$7,000,000
Minimum separate account	$3,000,000
Tax-exempt clients	3
Types of accounts managed	CF
No. of portfolio managers	1
Size of research staff	2

Audit Investments Inc. concentrates investments in tradeable securities of seasoned equity owners and property developers.

As of Jan. 1, all assets were invested in real estate securities.

The firm follows 100 stocks; 75% of research is generated internally.

Kenneth D. Campbell, president, is chief investment officer and client con-

Austin & Calvert Inc.

300 Convent St., Suite 1100, San
Antonio, Texas 78205; (512)
224-8241

Total assets managed	$450,000,000
Tax-exempt assets managed:	
Total	$180,000,000
Separate accounts	$180,000,000
Minimum separate account	$1,000,000
Tax-exempt clients	37
Types of accounts managed	CEF
No. of portfolio managers	4
Size of research staff	2

Austin & Calvert Inc. is an active equity, active fixed-income and balanced manager.

In equities, the firm is value oriented and uses sector rotation, investing in companies and industries undergoing significant change. The fixed-income approach is event-driven and responsive to abnormal values and real returns that can arise in short-, intermediate- or longer-term bond maturities.

The asset mix Jan. 1 was 65% equity, 25% bonds and 10% cash.

Clients include Luby's Cafeterias and Trinity University.

Jonathan C. Calvert, president, is chief investment officer and client contact.

Avatar Associates

900 Third Ave., New York, N.Y. 10022;
(212) 753-7710

Total assets managed	$1,500,000,000
Tax-exempt assets managed:	
Total	$1,450,000,000
Pooled accounts	$5,000,000
Separate accounts	$1,445,000,000
Minimum separate account	$5,000,000
Tax-exempt clients:	
Pooled	10
Separate	85
Types of accounts managed	CEFJG
No. of portfolio managers	5
Size of research staff	4

Avatar Associates is an active equity, balanced, tactical asset allocation and short-term manager.

In its tactical asset allocation equity and balanced accounts, Avatar actively changes the portfolio's stock/cash or stock/bond/cash mix based on proprietary quantitative research. Decisions are made through active security selection or index funds and futures.

The asset mix Jan. 1 was 80% equity, 10% bonds and 10% cash.

Clients include K mart, Kroger and CIBA-Geigy.

Edward S. Babbitt Jr., president, is chief investment officer; Bruce L. F[illegible]quin, vice president, is client contact.

Axe Core Investors Inc.

Axe Castle, 400 Benedict Ave.,
Tarrytown, N.Y. 10591; (914)
333-5222

See entry for AXE-HOUGHTON MANAGEMENT INC.

Axe-Houghton International

35 Dover St., London W1X 3RA, U.K.;
01-499-4838

See entry for AXE-HOUGHTON MANAGEMENT INC.

Axe-Houghton Management

Axe Castle, 400 Benedict Ave.,
Tarrytown, N.Y. 10591; (914)
631-8131

Total assets managed	$8,720,000,000
Tax-exempt assets managed:	
Total	$894,000,000
Separate accounts	$894,000,000
401(k)/457 assets managed	$28,000,000
No. of 401(k)/457 plans	12
International equity	$267,000,000
Equity indexed assets	$682,000,000
Minimum separate account	$5,000,000
Tax-exempt clients	20
Types of accounts managed	CFJG
No. of portfolio managers	10
Size of research staff	16

Axe-Houghton Management Inc. is an active and passive equity, active fixed-income, balanced and short-term manager. Through its subsidiaries, international/global passive equity, active international/global fixed-income and index-based management is offered.

Its active equity approach emphasizes growth and emerging growth stocks. Balanced portfolios are allo-

proach and fixed-income investments.

Its primary fixed-income approach is one of duration management, based on a multiscenario economic outlook and management of risk associated with quality spreads, sector weighting and issue selection. Options and stock index futures are used.

The asset mix Jan. 1 was 81% equity; 18% bonds; and 1% cash.

The parent is USF&G Corp.

U.S. tax-exempt clients include San Francisco City and County; Teamsters Local 814; Nestle; and New York City Teachers.

John L. Schroeder, chairman of the board, is chief investment officer; Stephen J. Darby Jr., president, is client contact.

The following subsidiaries' assets are reflected in the data above.

- Axe-Core Investors Inc. manages $682 million in tax-exempt assets.

The firm uses index fund technology to customize domestic and international equity portfolios.

Seth M. Lynn, president, is chief investment officer; Brian J. Harris, vice president, is client contact.

- Axe-Houghton International Ltd. is an international fixed-income manager based in London. Henry H. Livingston III, managing director, is chief investment officer.

J.H. Ayres & Co. Inc.

2016 Condor St., Colorado Springs,
Colo. 80909; (719) 635-1414

Total assets managed	$2,100,000,000
Tax-exempt assets managed:	
Total	$2,100,000,000
Separate accounts	$2,100,000,000
Minimum separate account	$100,000
Tax-exempt clients	196
Types of accounts managed	C
No. of portfolio managers	2
Size of research staff	2

J.H. Ayres & Co. Inc. is an equity and short-term manager, using mutual funds as the investment vehicle.

The firm monitors changes in monetary policy, and shifts between being invested 100% in equity mutual funds and 100% in money market mutual funds.

All assets were in cash Jan. 1.

James H. Ayres, president, is chief investment officer and client contact.

B

David L. Babson & Co. Inc.

1 Memorial Drive, Cambridge, Mass.
02142; (617) 225-3800

Total assets managed	$2,356,000,000
Tax-exempt assets managed:	
Total	$570,000,000
Separate accounts	$570,000,000
Minimum separate equity account	$1,000,000
Minimum separate bond account	$5,000,000
Tax-exempt clients	84
Types of accounts managed	CEF
No. of portfolio managers	14
Size of research staff	6

David L. Babson & Co. Inc. is an active equity, active fixed-income and balanced manager.

Its equity approach uses growth and emerging growth stocks. Emphasis is on selection of reasonably valued, high-quality companies with the potential for above-average earnings growth.

Its fixed-income approach uses sector analysis, emphasizing high-grade, special value bonds, controlled maturity risk and active trading. Portfolios are actively managed to maximize total return.

The asset mix Jan. 1 was 65% equity, 30% bonds and 5% cash.

Peter C. Thompson, president, is chief investment officer and client contact.

Back Bay Advisors Inc.

399 Boylston St., Boston, Mass.
02116; (617) 578-1500

Total assets managed	$5,010,000,000
Tax-exempt assets managed:	
Total	$963,000,000

GICs	$225,000,000
Annuities	$7,000,000
Other	433,000,000
Mortgage-backed assets	$800,000,000
International fixed-income assets	$15,000,000
Minimum separate account	$5,000,000
Tax-exempt clients:	
Pooled	141
Types of accounts managed	CG
No. of portfolio managers	13
Size of research staff	3

Back Bay Advisors Inc. is an active and passive equity, active and passive fixed-income, active international fixed-income and short-term manager.

Its active equity approach uses quantitative methods focusing on low p/e stocks. Its active fixed-income approach is based on interest rate anticipation and sector analysis. Options and fixed-income futures are used.

The asset mix Jan. 1 was 62% bonds, 6% cash and 32% mortgage-backed securities.

The parent is The New England.

Charles Wallis, president, is chief investment officer; Anthony Wilkins, senior vice president, is client contact.

Badgley, Phelps & Bell Inc.

1301 Fifth Ave., 3206 Rainier Tower,
Seattle, Wash. 98101; (206)
623-6172

Total assets managed	$394,000,000
Tax-exempt assets managed:	
Total	$45,000,000
Separate accounts	$45,000,000
Minimum separate account	$500,000
Tax-exempt clients	28
Types of accounts managed	CEF
No. of portfolio managers	7

Badgley, Phelps & Bell Inc. is an active equity, passive fixed-income and balanced manager.

Its equity approach is focused on high-quality growth stocks. Its fixed-income approach uses a stepped schedule of high-quality bonds coming due each year to be reinvested at current rates.

Patrick Sullivan, vice president, is chief investment officer; Mr. Sullivan and J. Kevin Callaghan are client contacts.

Julius Baer Investment Management Inc.

330 Madison Ave., New York, N.Y.
10017; (212) 949-9055

Total assets managed	$710,000,000
Tax-exempt assets managed:	
Total	$710,000,000
Separate accounts	$710,000,000

25 largest independent investment managers

Firm	$ mils.*
GE Investments	22,700
Fidelity Mgmt. & Research	22,000
Boston Co.	18,416
Miller, Anderson & Sherrerd	15,862
Delaware Investment	13,848
Mitchell Hutchins	13,630
Lehman Mgmt.	13,079
Morgan Stanley Asset	12,069
Sanford C. Bernstein	11,094
Scudder, Stevens & Clark	10,863
T. Rowe Price	10,846
Fischer, Francis, Trees	10,610
RCM Capital	10,575
Oppenheimer Capital	10,133
Lincoln Capital	9,987
Fayez Sarofim	9,772
Lazard Freres	9,746
INVESCO Capital	9,564
Wellington	9,500
Batterymarch Financial	7,972
Criterion Investment	7,887
BEA Associates	7,469
JMB Institutional	7,400
Brown Brothers Harriman	7,131
Neuberger & Berman	6,968
TOTAL	**289,121**

* discretionary, tax-exempt assets

Key to abbreviations

C: Corporate
E: Educational endowment
F: Private foundation
G: U.S. state/local gov't
J: Jointly trusteed
P: Canadian provincial gov't
U: Unions (Canadians only)

International equity assets	$71,000,000
International fixed-income assets	$639,000,000
Minimum separate account	$10,000,000
Tax-exempt clients	11
Types of accounts managed	CEFG
No. of portfolio managers	5

Julius Baer Investment Management Inc. is an active international/global equity and fixed-income manager.

Its equity approach uses growth stocks and sector rotation. Country allocations are based on expected total return, and stock selection emphasizes large, stable growth companies and industry trends.

In fixed income, it uses interest rate anticipation, sector analysis and currency mix. Currency weightings are based on total return forecasts, with or without hedging. Bond selection emphasizes government and high-quality issues with medium maturities.

The asset mix Jan. 1 was 10% equities and 90% bonds.

The parent is Baer Holding Ltd.

Peter Widmore is chief investment officer; Jay Dirnberger, managing director, is client contact.

Bailard Biehl & Kaiser

2755 Campus Drive, San Mateo, Calif.
94403; (415) 571-5800

Total assets managed	$1,001,000,000
Tax-exempt assets managed	
Total	$275,000,000
Separate accounts	$275,000,000
Equity real estate assets	$25,000,000
International equity assets	$19,000,000
International fixed-income assets	$14,000,000
International cash assets	$5,000,000
Minimum separate account	$2,000,000
Tax-exempt clients	35
Types of accounts managed	CG
No. of portfolio managers	5
Size of research staff	7

Bailard Biehl & Kaiser is a balanced, tactical asset allocation and short-term cash manager.

The equity approach uses sector rotation and low p/e stocks. The fixed-income approach uses interest rate anticipation. Portfolios hold high-quality corporate bonds and Treasuries with a 20-year average maturity.

Options are used.

The asset mix Jan. 1 was 20% equity, 35% bonds, 19% cash, 9% equity real estate, 5% gold stocks, 7% international equity and 5% international bonds.

Ronald W. Kaiser is chief investment officer; Brian E. Schaefer is client contact.

Baillie Gifford Overseas Ltd.

2 Glenfinlas St., Edinburgh EH3 6YY
U.K.; 031-225-2581

Total assets managed	$4,525,000,000
Tax-exempt assets managed	
Total	$14,000,000
Pooled accounts	$14,000,000
International equity assets	$13,000,000
International cash	$1,000,000
Minimum separate account	$10,000,000
Types of accounts managed	C
No. of portfolio managers	17
Size of research staff	11

Baillie Gifford Overseas Ltd. is a balanced and active international equity manager.

Its primary equity approach is based on fundamental research of both companies and countries. It seeks well-managed companies with good growth potential. It also runs a variety of specialist regional funds, (Japan, Europe, U.K., Far East). Options are used.

The asset mix Jan. 1 was 95% equities and 5% cash.

The parent is Baillie Gifford & Co.

Gavin Gemmell, chairman, is chief investment officer; Ross Lidstone, marketing director, is client contact.

Balch, Hardy Scheinman & Winston Inc.

501 Fifth Ave., New York, N.Y. 10017;
(212) 661-6290

Total assets managed	$2,000,000,000
Tax-exempt assets managed:	
Total	$2,000,000,000
Separate accounts	$2,000,000,000
Minimum separate account	$15,000,000
Tax-exempt clients	15
Types of accounts managed	CEJG
No. of portfolio managers	5
Size of research staff	3

Balch, Hardy Scheinman & Winston

options on the assets reported above. It does not manage the underlying assets.

Using an optimizer and a factor model, it builds high-return, controlled risk portfolios, employing known historical data.

The asset mix Jan. 1 was 95% equity and 5% cash.

The firm follows 100 stocks closely and 600, generally; 50% of research is generated internally.

William F. Balch is chief investment officer and client contact.

The Balcor Co.

4849 Golf Road, Skokie, Ill. 60077;
(312) 676-6949

Total assets managed	$5,100,000,000
Tax-exempt assets managed	
Total	$1,765,000,000
Pooled accounts	$1,750,000,000
Separate accounts	$15,000,000
Equity real estate assets	$345,000,000
Mortgage assets	$1,420,000,000
Minimum separate account	$25,000,000
Tax-exempt clients:	
Pooled	79

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Delaware Trust Capital Management, Inc.
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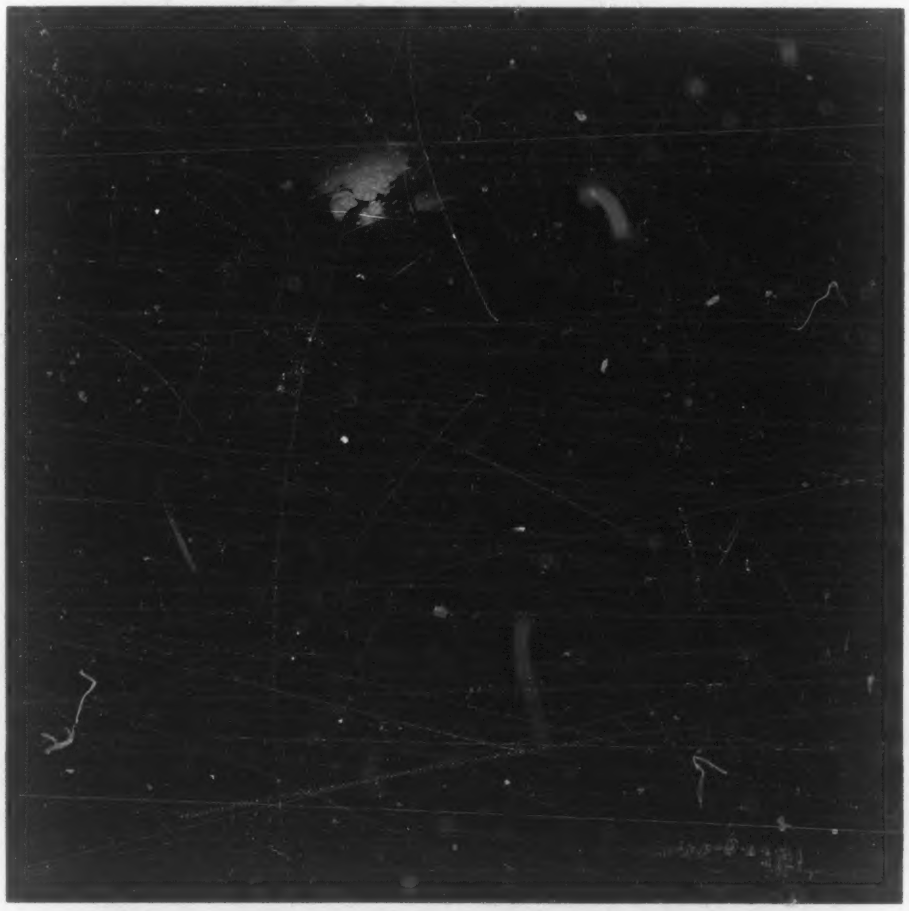
Global Asset Allocation



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(USA) Corporation

Separate	1
Types of accounts managed	CEFGJ

The Balcor Co. is a real estate manager, emphasizing unleveraged equity investments in luxury garden apartments, suburban office buildings and community shopping centers. The firm is a long-term investor, focusing on effective property management and portfolio management to create and sustain value.

Tax-exempt assets are managed by Balcor Institutional Realty Advisors Inc., a subsidiary.

The asset mix Jan. 1 was 19.5% equity real estate and 80.5% equity-oriented debt.

The parent is Shearson Lehman Hutton, a unit of American Express.

Clients include Michigan Municipal Employees, City of Tampa, State of Connecticut Trust Funds and Minneapolis Employees.

Richard B. Stern, senior vice president, is chief investment officer; John K. Powell Jr. is client contact.

Banc One Asset Management Corp.

100 E. Broad St., Columbus, Ohio
43271-0211; (614) 248-5245

Total assets managed	$1,031,000,000
Tax-exempt assets managed:	
Total	$426,000,000
Commingled accounts	$154,000,000
Separate accounts	$272,000,000
International fixed-income assets	$5,000,000
Equity indexed assets	$12,000,000
Minimum separate account	$10,000,000
Tax-exempt clients:	
Commingled	1
Separate	12
Types of accounts managed	CEFJ
No. of portfolio managers	6
Size of research staff	8

Banc One Asset Management Corp. is an active and passive equity, active fixed-income, balanced and international/global manager.

Its equity approach is highly disciplined, analyzing long-term financial characteristics of a company and then comparing the current price of the stock against its projected value.

For fixed income, half of a portfolio is fully invested, matching the duration of a selected benchmark, with the balance actively managed with emphasis on the yield curve, sectors and issues. Options, stock index futures and fixed-income futures are used.

The parent is Banc One Corp.

James D. Wright is senior managing director and chief investment officer; James R. Janetz, managing director, is client contact.

BancOklahoma Trust Co.

P.O. Box 2300, Tulsa, Okla. 74192;
(918) 588-6448

Total assets managed	$2,129,000,000
Tax-exempt assets managed:	
Total	$1,997,000,000
Commingled accounts	$304,000,000
Separate accounts	$1,693,000,000
Real estate equity assets	$80,000,000
Mortgage assets	$2,000,000
Mortgage-backed assets	$90,000,000
Minimum separate account	$1,000,000
Tax-exempt clients:	
Commingled	913
Separate	584
Types of accounts managed	CEFGJ
No. of portfolio managers	3
Size of research staff	3

BancOklahoma Trust Co. is an active and passive equity, active and passive fixed-income, tactical asset allocation, balanced and real estate manager.

Its primary equity approach is top-down. Industry groups are selected based on economic forecasts with fundamental research done on companies within each sector. Sector rotation and low p/e stocks also are part of the approach. Options are used.

Its primary fixed-income approach also is top-down, with maturities based on interest rate anticipation. Government and agency issues are used.

The asset mix Jan. 1 was 40% stocks, 42% bonds, 12% cash, 4% equity real estate and 2% miscellaneous.

It provides portfolio insurance to nine clients covering $11 million in assets.

The parent is Bank of Oklahoma.

Rudy Thomas, senior vice president, is chief investment officer; Jim Morris, vice president, is client contact.

Bank of Boston

100 Federal St., Real Estate Division,
Boston, Mass. 02110; (617)
434-7346

Total assets managed	$243,000,000
Tax-exempt assets managed:	
Total	$243,000,000
Commingled accounts	$205,000,000
Separate accounts	$38,000,000
Real estate equity assets	$137,000,000
Tax-exempt clients:	
Commingled	137
Separate	3
Types of accounts managed	CG

Bank of Boston, a real estate manager, focuses on achieving a high net income return with subsequent long-term growth and appreciation. Investments are diversified by property type, location and investment structure.

The asset mix Jan. 1 was 14% cash, 56% equity real estate and 30% convertible/participating mortgages.

The parent is Bank of Boston Corp.

Marshall Williams, director of pooled real estate investment fund, is chief investment officer; William Tanski Jr., director-marketing, is client contact.

Bank IV Wichita

P.O. Box 4, Wichita, Kan. 67201-0004;
(316) 261-4555

Total assets managed	$616,000,000
Tax-exempt assets managed:	
Total	$132,000,000
Commingled accounts	$45,000,000
Separate accounts	$87,000,000
Minimum separate account	$500,000
Tax-exempt clients:	
Commingled	118
Separate	113
Types of accounts managed	CEFJ
No. of portfolio managers	11
Size of research staff	3

Bank IV Wichita, is an active equity, active and passive fixed-income and short-term manager.

Its equity approach emphasizes stock selection based on multiquantitative methods and fundamental analysis, using bottom-up stock selection with a top-down economic process for cash allocation decisions.

In fixed-income, it uses a variety of issues to outperform the targeted benchmark by controlled adjustments to portfolio duration and sector.

The parent is Fourth Financial Corp.

John S. Maurer Jr., vice president and group manager, is chief investment officer; Roger A. Ramseyer, assistant vice president and trust marketing manager, is client contact.

The Bank of New York-Irving Trust Co.

48 Wall St., New York, N.Y. 10286;
(212) 495-1626

Total assets managed	$20,000,000,000
Tax-exempt assets managed:	
Total	$8,000,000,000
Commingled accounts	$1,661,000,000
Separate accounts	$6,339,000,000
Mortgage-backed assets	$400,000,000
Equity indexed assets	$90,000,000
Fixed-income indexed assets	$40,000,000
Dedicated/immunized assets	$480,000,000
Minimum separate account	[illegible]
Tax-exempt clients:	
Commingled	20
Separate	130
Types of accounts managed	CEFGJ
No. of portfolio managers	60
Size of research staff	12

The Bank of New York-Irving Trust Co. is an active and passive equity and fixed-income, balanced and short-term manager.

Its primary equity approach has a long-term value and growth orientation. Options are used.

Its primary active fixed-income approach takes a long-term value orientation, focusing on real yields and anticipation of future change. Interest rate anticipation and sector analysis also are used.

The asset mix Jan. 1 was 25% stocks, 50% bonds, 20% cash and 5% mortgage-backed securities.

Clients include Bristol Myers, Chrysler, National Starch and Westvaco.

The parent is The Bank of New York.

Charles L. Booth is executive vice president and chief investment officer; Jeannette Gadomski, vice president, is client contact.

Bank One Dayton

40 N. Main St., Dayton, Ohio 45402;
(513) 449-8919

Total assets managed	$1,675,000,000
Tax-exempt assets managed:	
Total	$350,000,000
Commingled accounts	$150,000,000
Separate accounts	$200,000,000
Real estate equity assets	$1,000,000
Equity indexed assets	$3,000,000
Minimum separate account	$1,000,000
Tax-exempt clients:	
Commingled	250
Separate	50
Types of accounts managed	CEF
No. of portfolio managers	5

Bank One Dayton is an active and passive equity, active and passive fixed-income, balanced, tactical asset allocation, real estate and short-term manager.

Its primary equity approach is value-oriented, using a dividend discount model. Its primary fixed-income approach combines active and duration management to reduce portfolio volatility. Secondarily, it seeks market inefficiencies by actively managing the yield curve. Fixed-income futures are used.

The asset mix Jan. 1 was 48% stocks and 52% bonds.

The parent is Banc One Corp.

David Y. Handlir, vice president, is chief investment officer; Hal G. Andress, vice president, is client contact.

Bank One, Indianapolis

101 Monument Circle, Indianapolis,
Ind. 46277; (317) 639-8151

Total assets managed	$6,001,000,000
Tax-exempt assets managed:	
Total	$4,400,000,000
Commingled accounts	$352,000,000
Separate accounts	$4,048,000,000
Mortgage-backed assets	$280,000,000
Dedicated/immunized assets	$250,000,000
Minimum separate account	$5,000,000
Tax-exempt clients:	
Commingled	132
Separate	384
Types of accounts managed	CEFGJ
No. of portfolio managers	13
Size of research staff	5

Bank One, Indianapolis is an active equity, active fixed-income, balanced, short-term and GIC manager.

In equities, the bank takes a value-oriented approach. Stock selection focuses on a bottom-up approach involving analysis of cash flow, revenue and current vs. historical price. In fixed-income portfolios, emphasis is given to controlling maturity and duration of a portfolio given the economic outlook and its implications for the trend in interest rates.

Options are used.

The asset mix Jan. 1 was 10% stocks, 64% bonds, 15% cash, 9% mortgage-backed securities and 2% GICs.

The bank follows 250 stocks closely and more than 6,000, generally; 80% of research is generated internally.

U.S. tax-exempt clients include Hallmark Cards, Indiana Teachers, White Consolidated and Texas Eastern.

The parent is Banc One Corp.

Leif E. Nulsen is senior vice president and chief investment officer; Phillip E. Chambers, vice president and investment officer, is client contact.

Bank South

55 Marietta St., P.O. Box 4387,
Atlanta, Ga. 30302; (404) 529-4556

Total assets managed	$313,000,000
Tax-exempt assets managed:	
Total	$241,000,000
Commingled accounts	$191,000,000
Separate accounts	$50,000,000
Tax-exempt clients:	
Commingled	150
Separate	110
Types of accounts managed	CEFGJ
No. of portfolio managers	7

Bank South is an active equity, active fixed-income, balanced, tactical asset allocation and short-term manager.

Its primary equity approach is value-oriented, focusing on growth and low p/e stocks. Sector rotation and tactical asset allocation are employed. Its primary fixed-income approach uses interest rate anticipation and sector analysis.

The asset mix Jan. 1 was 45% stocks, 45% bonds and 10% cash.

Ralph Hutchins is chief investment officer; Steve Morris is client contact.

Bank of the West Trust & Financial Services

P.O. Box 1121, San Jose, Calif.
95108; (408) 998-6857

Total assets managed	$155,000,000
Tax-exempt assets managed:	
Total	$42,000,000
Commingled accounts	$1,000,000
Separate accounts	$41,000,000
401(k)/457 assets managed	$23,000,000
No. of 401(k)/457 plans	15
Minimum separate account	$100,000
Tax-exempt clients:	
Commingled	16
Separate	21
Types of accounts managed	CFG
No. of portfolio managers	1

Bank of the West Trust & Financial Services is an active equity, active fixed-income and balanced manager.

Equities are selected based on strong and growing cash flow, dominant/strong industry position, excellent balance sheets and reasonable valuation. Its primary fixed-income approach focuses on interest rate anticipation, market liquidity and strong credits.

The asset mix Jan. 1 was 40% stocks, 55% bonds and 5% cash.

The parent is Banque Nationale de Paris.

Joseph W. Hefner, vice president, is chief investment officer; Donald L. Draper, senior vice president, is client contact.

Bankers Trust Co. — Investment Management Group

280 Park Ave., 6M, New York, N.Y.
10015; (212) 850-2262

Total assets managed	$76,828,000,000
Tax-exempt assets managed:	
Total	$62,492,000,000
Commingled accounts	$21,514,000,000
Separate accounts	$40,978,000,000
401(k)/457 assets managed	$7,940,000,000
No. of 401(k)/457 plans	54
Mortgage-backed assets	$290,000,000
International equity assets	$730,000,000
International fixed-income assets	$161,000,000
Equity indexed assets	$25,438,000,000
Fixed-income indexed assets	$2,385,000,000
Dedicated/immunized assets	$3,738,000,000
Minimum separate account	$10,000,000
Tax-exempt clients:	
Commingled	28
Separate	125
Types of accounts managed	CFGJ
No. of portfolio managers	51
Size of research staff	25

Bankers Trust Co. — Investment Management Group is an active and passive equity and fixed-income, balanced, international, index, options and futures, GIC and corporate cash manager.

Through units in New York, Tokyo, London and Sydney, active and passive capabilities for a variety of domestic and international strategies are offered. Options, stock index futures and fixed-income futures are used.

The asset mix Jan. 1 was 47% stocks, 15.5% bonds, 33% cash, 0.5% mortgage-backed securities and 4% GICs.

The bank provides portfolio insurance to two clients covering $400 million in assets.

The parent is Bankers Trust Co.

H. Kent Atkins, executive vice president, is chief investment officer; Michael Fisher, managing director of marketing, is client contact.

Baring America Asset Management Co. Inc.

77 Franklin St., Boston, Mass. 02110;
(617) 357-8480

Total assets managed	$1,304,000,000
Tax-exempt assets managed:	
Total	$1,304,000,000
Separate accounts	$1,304,000,000
401(k)/457 assets managed	$839,000,000
No. of 401(k)/457 plans	28
Minimum separate account	$5,000,000
Tax-exempt clients	36

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GIM

GOVERNMENT INVESTMENT MULTIPLIER PROGRAM

68 Evergreen Drive
North Caldwell, NJ 07006

Types of accounts managed	CEFG
No. of portfolio managers	8
Size of research staff	6

Baring America Asset Management Co. Inc. is an active equity, active fixed-income and balanced manager.

Its equity strategy is a disciplined approach to growth stock management with emphasis placed on stock valuations and sector diversification.

Its fixed-income approach uses sector weighting and issue selection to add value while interest rate risk is controlled within narrow bands. High-yield and investment-grade management are offered.

The asset mix Jan. 1 was 45% equities, 48% bonds and 7% cash.

The firm follows 100 stocks closely and 1,200, generally; 80% of the research is generated internally.

The parent is Barings PLC (U.K.).

Stephen D. Cutler is chief investment officer; James P. MacMillan and Shaun R. Levesque are client contacts.

Baring International Investment Ltd.

9 Bishopsgate, London EC2N 3AQ
U.K.: 01-623-5264

Total assets managed	$2,418,000,000
Tax-exempt assets managed:	
Total	$2,260,000,000
Pooled accounts	$288,000,000
Separate accounts	$1,972,000,000
International equity assets	$1,800,000,000
International fixed-income assets	$450,000,000
International cash assets	$10,000,000
Minimum separate account	$20,000,000
Tax-exempt clients:	
Pooled	8
Separate	23
Types of accounts managed	CEFG
No. of portfolio managers	11
Size of research staff	25

Baring International Investment Ltd. is an international/global manager offering active and passive equity, active fixed-income and regional equity strategies.

Its primary equity approach looks for relative value within national markets, employing emerging growth stocks, low p/e ratios and market timing/tactical asset allocation.

Its primary fixed-income approach uses relative currency attraction and interest rate anticipation. Forwards are used.

The asset mix Jan. 1 was 80% international equity and 20% international bonds.

The parent company is Baring International Investment Management.

Peter S. Hartley, managing director, is chief investment officer; John F. McNamara, director, is client contact.

Weaver C. Barksdale & Associates

30 Burton Hills Blvd., Suite 550,
Nashville, Tenn. 37215; (615)
665-1090

Total assets managed	$529,000,000
Tax-exempt assets managed:	
Total	$529,000,000
Pooled accounts	$13,000,000
Separate accounts	$516,000,000
Minimum separate account	$5,000,000
Tax-exempt clients:	
Pooled	2
Separate	14
Types of accounts managed	CEFJG
No. of portfolio managers	2
Size of research staff	1

Weaver C. Barksdale & Associates, an active fixed-income manager, offers two strategies: "Controlled risk" is a short to intermediate approach emphasizing core enhancement and gradual duration adjustment; "opportunity" is a comprehensive approach emphasizing duration adjustment and security selection.

All assets were in bonds Jan. 1.

Clients include Major League Baseball Players and Metro Government of Nashville.

Weaver C. Barksdale, president, is chief investment officer; John E. McDowell, senior vice president, is client contact.

Barnett Banks Trust Co.

801 Riverside Ave., Jacksonville, Fla.
32204; (904) 798-1482

Total assets managed	$4,700,000,000
Tax-exempt assets managed:	
Total	$1,500,000,000
Commingled accounts	$400,000,000
Separate accounts	$1,100,000,000
Minimum separate account	$5,000,000
Tax-exempt clients:	
Commingled	490
Separate	110
Types of accounts managed	CEFG
No. of portfolio managers	18
Size of research staff	7

Barnett Banks Trust Co. is an active equity, active fixed-income, balanced and short-term manager.

Its primary equity approach uses a multiple quantitative screening process to find stocks displaying sound quality, high relative value and strong momentum in earnings expectations. In fixed-income, maturity selection is based on interest rate expectations, yield curve configurations and multiscenario total return computations. Quality and sector weightings are based on current and historic yield spreads and credit worthiness.

The asset mix Jan. 1 was 48% stocks, 49% bonds and 3% cash.

The bank follows 1,500 stocks closely and 3,000, generally; 80% of research is generated internally.

U.S. tax-exempt clients include BellSouth, State of Florida, Detroit Police & Fire and Mayo Foundation.

The parent is Barnett Banks Inc.

John Allen, senior vice president, is chief investment officer; William A. Smith, vice president-institutional sales, is client contact.

Barrow, Hanley, Mewhinney & Strauss Inc.

200 Crescent Court, 19th Floor,
Dallas, Texas 75201; (214)
871-5300

Total assets managed	$5,746,000,000
Tax-exempt assets managed:	
Total	$5,746,000,000
Pooled accounts	$1,620,000,000
Separate accounts	$4,126,000,000
Mortgage-backed assets	$75,000,000
Minimum separate equity account	$50,000,000
Minimum separate bond account	$10,000,000
Tax-exempt clients:	
Pooled	4
Separate	62
Types of accounts managed	CEFGJ
No. of portfolio managers	7

Barrow, Hanley, Mewhinney & Strauss Inc. is an active equity, active fixed-income, balanced and short-term manager.

Its primary equity approach emphasizes low p/e, high dividend yield and low price/book ratios.

Fixed-income portfolios reflect a high yield to maturity, a high current yield, high quality and a conservative maturity structure. Assets are concentrated in undervalued sectors.

The asset mix Jan. 1 was 88% equities, 8% bonds, 3% cash and 1% mortgage-backed securities.

The firm follows 250 stocks closely and 800, generally; 50% of the research is generated internally.

The parent is United Asset Management.

U.S. tax-exempt clients include Vanguard, General Motors, Federal Reserve and American Airlines.

James P. Barrow is chief investment officer; Peter F. Bridge is client contact.

Batterymarch: Canada

49 Wellington St. E., Toronto, Ontario
M5E 1C9; (416) 865-9333

Total assets managed	$190,000,000
Tax-exempt assets managed:	
Total	$190,000,000

"ハロー東京、こちら
Citicorp ニューヨーク。
ドル・円は弱含み。"

"こちらは、輸出の
売りが強く、信託や
石油も買いオーダーを
引込めたようだ。"

[illegible]

Pooled accounts	$7,000,000
Separate accounts	$183,000,000
For subsidiaries of U.S. firms	$20,000,000
Minimum separate account	$5,000,000
Tax-exempt clients:	
Pooled	2
Separate	6
U.S. subsidiaries	2
Types of accounts managed	C
No. of portfolio managers	4

Batterymarch: Canada, a Canadian firm, is an active equity, active fixed-income and balanced manager.

Its equity approach is conservative, value-driven and non-consensus. In fixed-income, it minimizes interest rate risk with durations targeted to a benchmark or matched to liabilities.

The asset mix Jan. 1 was 50% Canadian stocks, 10% U.S. stocks and 40% bonds.

Tania Zouikin is chief investment officer; Robert Mitchell is client contact.

Batterymarch Financial Management

600 Atlantic Ave., Boston, Mass.
02210; (617) 973-9300

Total assets managed	$8,637,000,000
Tax-exempt assets managed:	
Total	$7,972,000,000
Pooled accounts	$433,000,000
Separate accounts	$7,539,000,000
International equity assets	$1,287,000,000
Minimum separate account	$10,000,000
Tax-exempt clients:	
Pooled	2
Separate	73
Types of accounts managed	CEFG
No. of portfolio managers	10

Batterymarch Financial Management is a global equity manager.

It uses corporate valuation standards in its value-oriented, quantitative and contrarian investment approach targeting overlooked, unpopular stocks in order to maximize investment return.

The asset mix Jan. 1 was 99% stocks and 1% cash.

The firm follows 4,000 stocks closely and 10,000, generally; all research is generated internally.

Dean LeBaron is chief investment officer; William H. Yankus is client contact.

Baxter & Hoops Inc.

1166 S.T. Merchants Plaza,
Indianapolis, Ind. 46204; (317)
635-7120

Total assets managed	$468,000,000
Tax-exempt assets managed:	
Total	$318,000,000
Separate accounts	$318,000,000
Mortgage-backed assets	$95,000,000
Minimum separate account	$1,000,000
Tax-exempt clients	5
Types of accounts managed	CFG
No. of portfolio managers	3
Size of research staff	1

Baxter & Hoops Inc. is an active and passive fixed-income and short-term manager.

Portfolio duration is varied by using interest rate anticipation based upon business cycle analysis. The firm also uses sector analysis with an emphasis on the quality of holdings. Fixed-income futures are used.

The asset mix Jan. 1 was 21% bonds, 49% cash and 30% mortgage-backed securities.

Clients include Indiana Teachers.

Gary Baxter and Norman Hoops are chief investment officers and client contacts.

BayBanks Investment Management Inc.

175 Federal St., Boston, Mass. 02110;
(617) 482-1040

Total assets managed	$1,450,000,000
Tax-exempt assets managed:	
Total	$850,000,000
Commingled accounts	$95,000,000
Separate accounts	$755,000,000
Minimum separate account	$500,000
Tax-exempt clients:	
Commingled	500
Separate	300
Types of accounts managed	CEFGJ
No. of portfolio managers	9
Size of research staff	2

BayBanks Investment Management Inc. is an active equity, active and passive fixed-income and balanced manager.

Its primary equity approach is quantitative; the firm employs a modeling technique that identifies companies by quality, earnings growth and market capitalization. The results are ranked by current operating and market characteristics.

Its primary fixed-income approach uses a passive core with an active component based. Interest rate anticipation also is used.

The asset mix Jan. 1 was 35% stocks, 60% bonds and 5% cash.

The parent is BayBanks Inc.

L. Sumner Hopkins II, executive vice president, is chief investment officer; Eugene D. Mahoney, vice president, is client contact.

BBL Capital Management

Avenue Mamix 24, Brussels 1050,
Belgium; 011-32-2-517-30-94

Total assets managed	$930,000,000
Tax-exempt assets managed	$0
Minimum separate equity account	$5,000,000
No. of portfolio managers	4
Size of research staff	23

BBL Capital Management Corp., an international manager, handles active equity, active fixed-income and balanced accounts.

Its equity approach uses sector rotation, marketing timing and low p/e stocks. It targets companies able to capitalize on a substantial cash flow and a strong presence in their industry, and that are selling at a discount to market multiples.

The parent is Banque Bruxelles Lambert.

Philippe Desirant, senior manager, is chief investment officer; Georges Dunesme, managing director, is client contact.

BEA Associates Inc.

153 E. 53rd St., 58th Floor, New York,
N.Y. 10022; (212) 832-2626

Total assets managed	$7,929,000,000
Tax-exempt assets managed:	
Total	$7,469,000,000
Separate accounts	$7,469,000,000
International equity assets	$100,000,000
Equity indexed assets	$534,000,000
Fixed-income indexed assets	$325,000,000
Dedicated/immunized assets	$493,000,000
Minimum separate account	$5,000,000
Tax-exempt clients	177
Types of accounts managed	CEFG

BEA Associates Inc. is an active, passive and international/global equity, active and passive fixed-income, balanced, short-term and portfolio insurance manager.

The firm uses a value-oriented equity approach, seeking situations where it disagrees with consensus estimates of cash flows and discount rates.

The firm structures its fixed-income portfolios to resemble client-specified benchmarks, adding value through issue selection, sector selection and swapping.

Options, stock index futures and fixed-income futures are used.

The asset mix Jan. 1 was 43% equity, 29% bonds, 6% cash and 22% derivatives.

Portfolio insurance is provided to four clients and covers $403 million in U.S. tax-exempt discretionary assets.

U.S. tax-exempt clients include Central States Teamsters, Oregon and Unisys.

Albert L. Zesiger, president and chairman, is chief investment officer; Paula Troneer, vice president and director of marketing, is client contact.

The trading opportunity is in Tokyo. The pension fund manager is in his kitchen, in Connecticut, at 8:30 in the evening.

The trader who alerted him—and who made the trade succeed—is at Citicorp in New York. At Citicorp's foreign exchange night desk—the first night trading desk at any bank, and in our opinion, still the best.

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Beacon Capital Management
2 World Trade Center, Suite 8546,
New York, N.Y. 10048; (212)
912-6900

Total assets managed	$720,000,000
Tax-exempt assets managed:	
Total	$669,000,000
Pooled accounts	$137,000,000
Separate accounts	$532,000,000
Dedicated/immunized assets	$29,000,000
Minimum separate account	$5,000,000
Tax-exempt clients:	
Pooled	3
Separate	21
Types of accounts managed	CEFGJ
No. of portfolio managers	4
Size of research staff	2

Beacon Capital Management is an active and passive equity, active fixed-income, balanced, tactical asset allocation and short-term manager.

The overriding equity theme is tactical asset allocation based on a proprietary system that considers monetary, economic, technical and valuation measures.

Its primary fixed-income philosophy uses a system incorporating similar measures to determine the optimal degree of exposure to fixed markets primarily U.S. Treasuries and agencies and the appropriate maturity range.

The asset mix Jan. 1 was 17% equities, 31% bonds and 52% cash.

The parent is Bank of New York.

Samson Wang, president, and Walter J. Burke, investment officer, are chief investment officers; Thomas F.Murphy Jr., managing director, and Robin A. Hall, marketing manager, are client contacts.

Bear Stearns Asset Management
245 Park Ave., New York, N.Y. 10167;
(212) 272-2814

Total assets managed	$2,892,000,000
Tax-exempt assets managed:	
Total	$2,732,000,000
Separate accounts	$2,732,000,000
401(k)/457 assets managed	$100,000,000
Mortgage-backed assets	$430,000,000
Fixed-income indexed assets	$180,000,000
Dedicated/immunized assets	$200,000,000
Minimum separate account	$10,000,000
Tax-exempt clients	112
Types of accounts managed	CEFGJ
No. of portfolio managers	9

Bear Stearns Asset Management is an active equity, active and passive fixed-income, balanced and short-term manager.

Its primary equity approach is value-oriented, focusing on low p/e stocks. The firm uses a set of proprietary screens to isolate companies with strong fundamental characteristics whose prices are below market or industry levels. It then identifies those with strong upside price potential.

Its primary fixed-income approach is conservative, investing primarily in U.S. government securities. Portfolio average maturities are adjusted according to interest rate trends.

The asset mix Jan. 1 was 38% equity, 42% bonds, 5% cash and 15% mortgage-backed securities.

The parent is Bear, Stearns & Co.

U.S. tax-exempt clients include Chrysler, Wake Forest University and the City of New York.

Peter N. Marron is chief investment officer; Milton B. Rubin, chief executive officer, and John F. Boneparth, director of marketing and client services, are client contacts.

P.E. Becker Inc.
1211 SW 5th Ave., Suite 2185,
Portland, Ore. 97204; (503)
223-1720

Total assets managed	$335,000,000
Tax-exempt assets managed:	
Total	$203,000,000
Pooled accounts	$26,000,000
Separate accounts	$177,000,000
Minimum separate account	$1,000,000
Tax-exempt clients:	
Pooled	2
Separate	52
Types of accounts managed	CEFJ
No. of portfolio managers	4
Size of research staff	2

P.E. Becker Inc. is an active equity, active fixed-income, balanced, short-term and quantitative equity limited partnership manager.

Its equity approach uses strong fundamental research to identify companies with low expectations, low p/e multiples and strong financials. Its fixed-income approach focuses on sector analysis, seeking the best values at a given time relative to risk.

The asset mix Jan. 1 was 45% equities, 45% bonds and 10% cash.

Patrick E. Becker, president, is chief investment officer; Gerald N. Brown, marketing director, is client contact.

Becker Williams & Co.
250 S. Wacker Dr., Suite 400,
Chicago, Ill. 60606; (312) 993-4120

Total assets managed	$10,000,000
Tax-exempt assets managed:	
Total	$10,000,000
Separate accounts	$10,000,000
Tax-exempt clients	1
Types of accounts managed	C
No. of portfolio managers	2
Size of research staff	2

Becker Williams & Co. provides fixed-income overwrite and hedge programs. It uses stock index futures/options to hedge equity portfolios using proprietary timing programs. The firm is a yield enhancement specialist, developing programs that increase yields on passive fixed-income portfolios by 200 to 400 basis points. It also has a sector analysis overwrite program.

The asset mix Jan. 1 was 80% stocks, 15% bonds and 5% cash.

The firm acts as an adviser for more than $200 million tax-exempt assets managed by other advisers in options overwriting and portfolio insurance programs.

H. Phillip Becker, president, is chief investment officer and client contact.

Bell Capital Management
1945 The Exchange, Suite 235,
Atlanta, Ga. 30339; (404) 952-7039

Total assets managed	$140,000,000
Tax-exempt assets managed:	
Total	$101,000,000
Minimum separate account	$250,000
Tax-exempt clients	280
Types of accounts managed	CEFJ
No. of portfolio managers	6

Bell Capital Management Inc. is an active equity, active fixed-income, balanced, tactical asset allocation and short-term manager.

Equity accounts own varying combinations of common stocks, straight and convertible bonds and money market instruments. Fixed-income investments are driven by interest rate anticipation.

The asset mix Jan. 1 was 38% stocks, 48% bonds and 14% cash.

Ron H. Bell, president, is chief investment officer and client contact.

Benchmark Asset Management Inc.
2200 Space Park Drive, Suite 208,
Houston, Texas 77058; (713)
333-1400

Total assets managed	$94,000,000
Tax-exempt assets managed:	
Total	$94,000,000
Separate accounts	$94,000,000
Mortgage-backed assets	$15,000,000
Minimum separate account	$1,000,000
Tax-exempt clients	9
Types of accounts managed	CFGJ
No. of portfolio managers	2
Size of research staff	1

Benchmark Asset Management Inc. is an active equity, active and passive fixed-income, balanced and short-term manager.

Its equity approach screens for companies in the top 30% of cash flow, return on investment and asset growth and applies valuation benchmarks in the buy-hold-sell decision. Its fixed-income approach emphasizes interest rate anticipation and maturity weighting, with low to medium duration.

Robert D. Harrell is chief investment officer; Gregg Smolenski, national marketing director, is client contact.

Bennett & Kahnweiler Realty Advisors
9700 W. Bryn Mawr, Rosemont, Ill.
60018; (312) 671-7911

Total assets managed	$400,000,000
Tax-exempt assets managed:	
Total	$300,000,000
Equity real estate assets	$200,000,000
Mortgage assets	$100,000,000
Minimum separate account	$25,000,000
Tax-exempt clients	2
Types of accounts managed	G
No. of portfolio managers	2
Size of research staff	2

Bennett & Kahnweiler Realty Advisors, a real estate manager, creates entrepreneurial, value-oriented customized portfolios emphasizing Midwest properties.

The asset mix Jan. 1 was 70% equity real estate and 30% mortgages.

The parent company is Bennett & Kahnweiler Inc.

James S. Smith, president, is chief investment officer; Ron Gold, vice president, is client contact.

Berg Capital Corp.
888 Seventh Ave., New York, N.Y.
10106; (212) 956-7400

Total assets managed	$72,000,000
Tax-exempt assets managed:	
Total	$27,000,000
Pooled accounts	$2,000,000
Separate accounts	$25,000,000
Minimum separate account	$2,000,000
Tax-exempt clients:	
Pooled	6
Separate	8
Types of accounts managed	CF
No. of portfolio managers	2

Berg Capital Corp. is an active equity and balanced manager.

The firm invests in equities for growth, using fundamental analysis, and cash for protection of value. Bonds are purchased when opportunity warrants.

The asset mix Jan. 1 was 65% equities and 35% cash.

Clients include Evaluation Associates, ECL Industries, Giant Cement and Interstate Brands.

Jonathan A. Berg, president, is chief investment officer; Deborah C. Foord, vice president, is client contact.

Sanford C. Bernstein & Co.
767 Fifth Ave., New York, N.Y. 10153;
(212) 486-5800

Total assets managed	$13,217,000,000
Tax-exempt assets managed:	
Total	$11,094,000,000
Separate accounts	$11,094,000,000
Minimum separate account	$400,000
Tax-exempt clients	1,509
Types of accounts managed	CEFGJ
No. of portfolio managers	28
Size of research staff	47

Sanford C. Bernstein & Co. Inc. is an active equity, active fixed-income, balanced and short-term manager.

Its primary equity approach is value-oriented, using Graham & Dodd analysis to seek extreme mispricings. Value is defined by the relationship of price to long-term earnings and dividends. Sector rotation is used.

Using sector analysis, the firm is a value-oriented, intermediate-term bond manager. Quantitative research evaluates relationships between and within sectors and along the yield curve, and values the call, sector, quality and other components of a bond. A disciplined buy/sell process is used.

Fixed-income futures are used.

The asset mix Jan. 1 was 71% equities, 28% bonds and 1% cash.

Clients include New York State Teachers, Johnson & Johnson, Ralston Purina and Allegheny Power.

Peter Carman is chief investment officer; Richard S. Abramson is client contact.

Bernstein-Macaulay Inc.
31 W. 52nd St., 15th Floor, New York,
N.Y. 10019; (212) 767-3700

Total assets managed	$27,016,000,000
Tax-exempt assets managed:	
Total	$742,000,000
Separate accounts	$742,000,000
Equity indexed assets	$600,000,000
Minimum separate account	$10,000,000
Tax-exempt clients	8
Types of accounts managed	CEFGJ
No. of portfolio managers	14
Size of research staff	3

Bernstein-Macaulay Inc. is a passive equity, active fixed-income and balanced manager.

In equities, the firm uses a systematic approach based on the premise the volatility of individual securities can

turns while increasing diversity and methodically reducing portfolio risk.

The firm specializes in fixed-income portfolios emphasizing active sector management, moderate maturity/duration adjustments and credit analysis on individual issues. The firm now handles all fixed-income mutual fund assets of the former Hutton Asset Management group.

Options and fixed income futures are used.

The parent is Shearson Lehman Hutton, a unit of American Express.

Robert G. Moore, president, is chief investment officer and client contact.

Berry, Hartell & Evers
550 Kearny St., Suite 510, San
Francisco, Calif. 94108; (415)
362-5637

Total assets managed	$280,000,000
Tax-exempt assets managed:	
Total	$50,000,000
Separate accounts	$50,000,000
401(k)/457 assets managed	$30,000,000
No. of 401(k)/457 plans	8
Minimum separate account	$1,000,000
Tax-exempt clients	10
Types of accounts managed	CEF
No. of portfolio managers	5

Berry, Hartell & Evers is an active equity, active fixed-income and balanced manager.

Its primary equity approach focuses on growth stocks. Its primary fixed-income approach uses laddered maturities of one to 10 years.

The asset mix Jan. 1 was 55% equities, 40% bonds and 5% cash.

Kenneth G. Berry, partner, is chief investment officer; Peter M. Holbrook, account manager, is client contact.

Bessemer Trust Co.
630 Fifth Ave., New York, N.Y. 10019;
(212) 708-9100

Total assets managed	$6,208,000,000
Tax-exempt assets managed:	
Total	$693,000,000
Separate accounts	$693,000,000
401(k)/457 assets managed	$5,000,000
No. of 401(k)/457 plans	2
Minimum separate account	$5,000,000
Tax-exempt clients	76
Types of accounts managed	CEF
No. of portfolio managers	14
Size of research staff	10

Bessemer Trust Co. is an active equity, active fixed-income, balanced, real estate, active international equity and short-term manager.

Its core equity approach uses market cycle/market theme analysis. It anticipates changes, identifies themes and overweights sectors it feels will be favorably affected.

Fixed-income portfolios are managed within client objectives to preserve capital and enhance returns.

The bank uses specialized investments such as real estate to provide a hedge against inflation and improve portfolio diversification.

The asset mix Jan. 1 was 75% stocks and 25% bonds.

The parent is The Bessemer Group Inc.

John R. Whitmore, president and chief executive officer, is chief investment officer; Robert C. Elliott, senior executive vice president, is client contact.

Beutel, Goodman Capital Management Ltd.
2030 Texas Commerce Tower,
Houston, Texas 77002; (713)
221-1790

Total assets managed	$693,000,000
Tax-exempt assets managed:	
Total	$693,000,000
Separate accounts	$693,000,000
Minimum separate account	$10,000,000
Tax-exempt clients	15
Types of accounts managed	CF
No. of portfolio managers	4
Size of research staff	8

Beutel, Goodman Capital Management Ltd. is an active equity and balanced manager.

Its equity approach uses sector rotation and Graham & Dodd analysis. The firm seeks companies selling at a discount to their book or asset value, or companies selling at a low relative p/e multiple, given their investment char-

growth. Its fixed-income approach uses interest rate anticipation.

The asset mix Jan. 1 was 92% equities and 8% cash.

The parent company is Beutel, Goodman & Co.

Clients include New York State Teachers, CPC International and W.K. Kellogg Foundation.

Robert F. McFarland, president, is chief investment officer; J. Philip Ferguson, vice president, is client contact.

Beutel, Goodman International PLC
5-6 St. Andrew's Hill, London, EC4V
5BY U.K.; 011-44-1-489-0218

Total assets managed	$346,000,000
Tax-exempt assets managed:	
Total	$242,000,000
Separate accounts	$242,000,000
International fixed-income assets	$209,000,000
International cash assets	$33,000,000
Minimum separate account	$10,000,000
Tax-exempt clients	1
Types of accounts managed	C
No. of portfolio managers	2
Size of research staff	1

Beutel, Goodman International PLC is an active international/global fixed-income manager.

The firm applies relative value analysis across countries. The focus of the approach is active country allocation in liquid markets. The firm principally uses high-quality securities with maturities at the medium to long end of the market.

The asset mix Jan. 1 was 79% bonds and 21% cash.

Olaf Rogge, principal, is chief investment officer. The U.S. marketing representative is Fairfield Capital Associates Inc., Westport, Conn., (203) 254-1215.

The Beyreuther Co.
1616 17th St., Suite 469, Denver,
Colo. 80202; (303) 628-5554 or
(312) 790-0333

Total assets managed	$51,000,000
Tax-exempt assets managed:	
Total	$51,000,000
Separate accounts	$51,000,000
Tax-exempt clients	2
Types of accounts managed	C
No. of portfolio managers	1

The Beyreuther Co. is an equity manager that emphasizes growth stock and quantitative research combined with passive management. Its customized passive equity product, designed to beat the S&P 500, is based on a universe of fast-growing and fundamentally strong, domestically traded equities.

The asset mix Jan. 1 was 99% stocks and 1% cash.

U.S. tax-exempt clients include Associates in Gynecological Surgery and Obstetrics.

Paul A.R. Beyreuther is chief investment officer and client contact.

BGH Central Investment Management
2 First Canadian Place, Suite 1010,
Toronto, Ontario L3T 4W8; (416)
869-0161

Total assets managed	$2,415,000,000
Tax-exempt assets managed:	
Total	$2,300,000,000
Pooled accounts	$700,000,000
Separate accounts	$1,600,000,000
For subsidiaries of U.S. firms	$0
Equity indexed assets	$80,000,000
Minimum separate account	$10,000,000
Tax-exempt clients:	
Pooled	200
Separate	70
Types of accounts managed	CPGU
No. of portfolio managers	9

BGH Central Investment Management, a Canadian firm, is an active and passive equity, active fixed-income, balanced, tactical asset allocation and

Key to abbreviations

C: Corporate
E: Educational endowment
F: Private foundation
G: U.S. state/local gov't
J: Jointly trusteed
P: Canadian provincial gov't
U: Unions (Canadians only)

hort-term manager.

Its primary equity approach is quan-tative and value-oriented, using merging growth stocks and sector ro-ation. Its primary fixed-income ap-roach uses interest rate anticipation nd sector analysis.

The asset mix Jan. 1 was 40% Ca-adian stocks, 5% U.S. stocks, 38% onds and 17% cash.

It follows 50 stocks closely and 100, enerally; 50% of research is gen-rated internally.

The parent is Central Capital Corp.

Paul Black, chairman and chief ex-cutive officer, is chief investment offi-er and client contact.

Bigler/Crossroads

90 Farmington Ave., Farmington,
Conn. 06032; (203) 676-9890

otal assets managed	$505,000,000
ax-exempt assets managed:	
Total	$505,000,000
Pooled accounts	$140,000,000
Separate accounts	$365,000,000
inimum separate account	$20,000,000
ax-exempt clients:	
Pooled	24
Separate	6
ypes of accounts managed	CEG

Bigler/Crossroads is a venture capi-al manager.

As of Jan. 1, all assets were in-ested in venture capital projects.

Harold E. Bigler Jr., chairman, is hief investment officer; Peter M. Sei-le, president, is client contact.

Birtcher Realty Advisors

27611 La Paz Road, Laguna Niguel,
Calif. 92656; (714) 643-7525

otal assets managed	$3,000,000,000
ax-exempt assets managed:	
Total	$500,000,000
Separate accounts	$500,000,000
quity real estate assets	$500,000,000
inimum separate account	$30,000,000
ax-exempt clients	8
ypes of accounts managed	CFJG
o. of portfolio managers	5
ize of research staff	3

Birtcher Realty Advisors offers real state investment management.

Through Smith Barney Birtcher Re-lty Advisors, a joint venture with Smith Barney Inc., the firm seeks to cquire a nationwide portfolio of indus-rial, distribution, retail and office prop-rties. Investments are limited to fully uilt, substantially leased properties in-tially acquired without leverage in the 5 million to $30 million range.

All tax-exempt assets were in equity eal estate Jan. 1.

Albert S. Nagy, executive vice presi-dent, Smith Barney Birtcher Realty Ad-isors, is chief investment officer. The lient contacts are Stanley L. Iezman, hief operating officer, in Laguna Ni-guel, and Ralph E. Heckert, senior vice resident-portfolio management, in Stamford, Conn., at (203) 967-7032.

George D. Bjurman & Associates

10100 Santa Monica Blvd., Suite
2300, Los Angeles, Calif. 90067;
(213) 553-6577

otal assets managed	$752,000,000
ax-exempt assets managed:	
Total	$701,000,000
Pooled accounts	$9,000,000
Separate accounts	$692,000,000
inimum separate account	$1,000,000
ax-exempt clients:	
Pooled	2
Separate	42
ypes of accounts managed	CEFGJ
o. of portfolio managers	4

George D. Bjurman & Associates is n active equity, active fixed-income nd balanced manager.

For equities, the firm employs a alue/growth-oriented investment ap-proach, with emphasis on high-quality ompanies with strong earnings and ividend growth prospects.

Fixed-income assets are strategi-ally invested using an active bond anagement approach, emphasizing hifts in maturity, sector, quality and oupon structure.

The asset mix Jan. 1 was 38% equi-ies, 50% bonds and 12% cash.

George D. Bjurman, chairman; G. Andrew Bjurman, president and chief xecutive officer; O. Thomas Barry III, senior executive vice president and director of investments; and Stephen K. Kent Jr., senior executive vice president and director of research, are chief investment officers. Mr. Barry is client contact.

William Blair & Co.

135 S. LaSalle St., Chicago, Ill. 60603;
(312) 236-1600

Total assets managed	$1,850,000,000
Tax-exempt assets managed:	
Total	$800,000,000
Separate accounts	$800,000,000
401(k)/457 assets managed	$2,000,000
No. of 401(k)/457 plans	25
Mortgage-backed assets	$5,000,000
Minimum separate account	$1,500,000
Tax-exempt clients	130
Types of accounts managed	CEF
No. of portfolio managers	13
Size of research staff	13

William Blair & Co. is an active equity, active fixed-income, balanced and short-term manager.

Its primary equity approach emphasizes emerging growth and growth stocks. The firm identifies stocks [illegible] stable growth, conservative fi[illegible] and established quality man[illegible]nts should lead to long-term [illegible]ppreciation.

[illegible]mary fixed-income approach [illegible], individual security selecti[illegible]h-quality, intermediate (one- to 10-[illegible]ar) maturity bonds to achieve the best combination of safety, incremental yield, term structure and terms of the contract.

The asset mix Jan. 1 was 70% equity, 15% bonds, 14% cash and 1% mortgage-backed securities.

Conrad Fischer is chief investment officer; Rocky Barber, partner and manager-investment management department, is client contact.

Arnhold and S. Bleichroeder International

45 Broadway, New York, N.Y. 10006;
(212) 943-9200

Total assets managed	$450,000,000
Tax-exempt assets managed:	
Total	$425,000,000
Separate accounts	$425,000,000
International equity assets	$391,000,000
International cash assets	$34,000,000
Minimum separate account	$15,000,000
Tax-exempt clients	12
Types of accounts managed	CE
No. of portfolio managers	2

Arnhold and S. Bleichroeder International is an active international equity manager.

Its primary approach focuses on earnings and rate of return. The firm selects a maximum of 30 securities for each portfolio, focusing on unique fundamentals and attractive risk-reward valuations, and targeting a 50% rate of return for each stock over a 12- to 24-month period.

The asset mix Jan. 1 was 92% international equities and 8% cash.

The parent company is Arnhold and S. Bleichroeder Inc.

Howard B. Moss is chief investment officer; Frederic C. Reynolds is client contact.

BMI Capital Corp.

67 Wall St., New York, N.Y. 10005;
(212) 422-1619

Total assets managed	$475,000,000
Tax-exempt assets managed:	
Total	$342,000,000
Separate accounts	$342,000,000
401(k)/457 assets managed	$1,000,000
No. of 401(k)/457 plans	1
Minimum separate account	$1,000,000
Tax-exempt clients	11
Types of accounts managed	CFGJ
No. of portfolio managers	4
Size of research staff	7

BMI Capital Corp., an active equity manager, uses internal research to invest in companies with high earnings growth selling below private market value. Emphasis is on small- to medium-capitalization issues.

The asset mix Jan. 1 was 95% equities and 5% cash.

The parent is BMI Holding Corp.

Clients include State of Minnesota, GTE, Upjohn and Los Angeles Fire & Police.

James D. Awad, president, and Francis J. Houghton Jr., chairman, are chief investment officers; Sandra A. Jerro, senior vice president, is client contact.

Boatmen's Trust Co.

510 Locust St., St. Louis, Mo. 63101;
(314) 436-9265

Total assets managed	$22,523,000,000
Tax-exempt assets managed:	
Total	$11,464,000,000
Commingled accounts	$838,000,000
Separate accounts	$10,626,000,000
Real estate equity assets	$15,000,000
Mortgage-backed assets	$1,575,000,000
International equity assets	$154,000,000
Equity indexed assets	$389,000,000
Dedicated/immunized assets	$148,000,000
Minimum separate account	$1,000,000
Tax-exempt clients:	
Commingled	288
Separate	429
Types of accounts managed	CEFGJ
No. of portfolio managers	19
Size of research staff	12

Boatmen's Trust Co. is an active and passive equity, active and passive fixed-income, balanced, real estate, active international/global equity and short-term manager.

Its equity approach is quantitative, and the fixed-income approach is based on interest rate anticipation. Options, stock index futures and fixed-income futures are used.

The asset mix Jan. 1 was 40% stocks, 51% bonds, 1% cash, 7% mortgage-backed securities and 1% equity real estate and foreign equity.

Portfolio insurance is provided to one client and covers $20 million.

The parent is Boatmen's Bancshares Inc.

Clients include Union Electric, Monsanto and Olin.

Robert Franklin is chief investment officer for fixed-income and James McGuire, for balanced and equity accounts. Richard W. Hibbs, senior vice president, is client contact.

Bollinger & Co. Inc.

717 17th St., Suite 1535, Denver,
Colo. 80202; (303) 292-0147

Total assets managed	$90,000,000
Tax-exempt assets managed:	
Total	$88,000,000
Separate accounts	$88,000,000
Mortgage-backed assets	$4,000,000
Minimum separate account	$500,000
Tax-exempt clients	14
Types of accounts managed	G
No. of portfolio managers	1

Bollinger & Co. Inc. is an active equity and active fixed-income manager.

Its equity approach emphasizes growth stocks, sector rotation and market timing. Its fixed-income approach uses interest rate anticipation.

The asset mix Jan. 1 was 65% equities, 18% bonds, 12% cash and 5% mortgage-backed securities.

U.S. tax-exempt clients include Colorado Fire & Police.

Jay Guy Bollinger, president, is chief investment officer and client contact.

Bolton Tremblay Inc.

70 University Ave., Suite 1000,
Toronto, Ontario M5J 2M4; (416)
595-5201

Total assets managed	$2,732,000,000
Tax-exempt assets managed:	
Total	$1,461,000,000
Pooled accounts	$53,000,000
Separate accounts	$1,408,000,000
For subsidiaries of U.S. firms	$100,000,000
Non-North American equities	$274,000,000
Dedicated/immunized assets	$32,000,000
Minimum separate account	$5,000,000
Tax-exempt clients:	
Pooled	6
Separate	78
U.S. subsidiaries	1
Types of accounts managed	CEFGU
No. of portfolio managers	15

Bolton Tremblay Inc., a Canadian firm, is an active equity, active fixed-income, balanced, active international equity and short-term manager.

The firm uses a three-tiered, value-oriented equity strategy with core holdings composed of large- and medium-cap stocks and a significant exposure to the small-cap sector through a pooled small-cap vehicle.

Its fixed-income approach manages portfolios aggressively based on the interest rate outlook and spread trading.

The asset mix Jan. 1 was 35% Canadian stocks, 10% U.S. stocks, 45% bonds and 10% cash.

Its clients include McGill University, Rowntree Mackintosh and New Brunswick Workers' Compensation Board.

The parent is Prenor Financial Ltd.

Jean-Luc Landry, president, is chief investment officer; Audrey Robinson and Ian T. Scott are client contacts.

Bondoux & Lockwood

100 Spear St., Suite 850, San
Francisco, Calif. 94105; (415)
974-5585

Total assets managed	$20,000,000
Tax-exempt assets managed:	
Total	$10,000,000
Separate accounts	$10,000,000
Minimum separate account	$250,000
Tax-exempt clients	8
Types of accounts managed	C
No. of portfolio managers	2

Bondoux & Lockwood is an active equity, active fixed-income and balanced manager.

It uses fundamental and technical stock selection methods to achieve total return objectives. Sell disciplines are emphasized to lock in favorable price movements and to preserve asset values in declining markets. Its fixed-income approach uses monetary models to determine interest rate direction. Options may be used.

The asset mix Jan. 1 was 20% equities, 20% bonds and 60% cash.

Kathryn W. Bondoux, senior partner, is chief investment officer; Ms. Bondoux and Brian A. Lockwood are client contacts.

Bostian Research Associates Inc.

360 Madison Ave., New York, N.Y.
10017; (212) 907-0180

Total assets managed	$6,000,000
Tax-exempt assets managed	$4,000,000
Minimum separate account	$1,000,000
Tax-exempt clients	3
Types of accounts managed	C
No. of portfolio managers	2
Size of research staff	2

Bostian Research Associates Inc., an equity manager, uses both sector rotation and asset allocation. Its portfolios are managed using proprietary fundamental and quantitative stock selection screens with a strategic asset allocation overlay that employs both economic and quantitative models.

Clients include Loews, Honeywell and Eastman Kodak.

David B. Bostian Jr. is chief investment officer; Howard Winell, executive vice president, is client contact.

The Boston Co. Inc.

1 Boston Place, Boston, Mass. 02108;
(617) 722-7314

Total assets managed	$24,617,000,000
Tax-exempt assets managed:	
Total	$[illegible]416,000,000
Pooled accounts	$[illegible]191,000,000
Separate accounts	$[illegible]225,000,000
Equity real estate assets	$2,481,000,000
International equity assets	$1[illegible]7,000,000
Equity indexed assets	$2,4[illegible]6,000,000
Fixed-income indexed assets	$235,000,000
Dedicated/immunized assets	$128,000,000
Tax-exempt clients:	
Pooled	53
Separate	256
Types of accounts managed	CEFJG
No. of portfolio managers	33
Size of research staff	20

The Boston Co. Inc. is an active and passive equity, active and passive fixed-income, passive international/global equity, short-term, tactical country allocation and mutual fund manager.

Its active equity approach uses quantitative value-oriented screening and emphasizes stocks undervalued in earnings and dividend growth with appreciation potential. Its active fixed-income approach emphasizes interest rate anticipation, avoiding extreme strategies. Portfolios are positioned with the best relative value as to industry and quality sectors. Options, stock index futures and fixed-income futures are used.

For real estate, The Boston Co. Real Estate Counsel Inc. uses equity-oriented debt and leveraged equity joint ventures.

The asset mix Jan. 1 was 40% equities, 23% bonds, 4% cash, 13% equity real estate and 20% short-term money market investments.

The parent is Shearson Lehman Hutton, a unit of American Express.

Desmond J. Heathwood is chief investment officer; John L. Carty is client contact.

Boston Asset Management

31 Milk St., Fourth Floor, Boston,
Mass. 02109; (617) 426-6655

Total assets managed	$0
Minimum separate account	$1,000,000
No. of portfolio managers	2
Size of research staff	1

Boston Asset Management Inc., acquired from the trust department of Capitol Bank and Trust Co., is an active equity, active fixed-income, balanced, tactical asset allocation and short-term manager.

The equity approach is based on market timing and tactical asset allocation decisions primarily using low p/e cyclical stocks. The fixed-income approach uses interest rate anticipation and sector analysis, focusing on maturity and sector swaps in anticipation of secular change. Minor portfolio adjustments are made in anticipation of cyclical developments or market inefficiencies.

G. Peter Grote, president, is chief investment officer; Steven Mula, vice president, is client contact.

Boston International Advisors Inc.

1 Liberty Square, Boston, Mass.
02109; (617) 574-9050

Total assets managed	$554,000,000
Tax-exempt assets managed:	
Total	$520,000,000
Pooled accounts	$75,000,000
Separate accounts	$445,000,000
International equity assets	$520,000,000
Minimum separate account	$50,000,000
Tax-exempt clients:	
Pooled	4
Separate	9
Types of accounts managed	CFG
No. of portfolio managers	6

Boston International Advisors Inc. is an active and passive international/global equity manager.

The firm uses quantitative value techniques to allocate among the EAFE markets and to select stocks within those markets. The firm also manages custom index funds — EAFE, GDP and South Africa-free. Stock index futures are used.

All assets were in international equities Jan. 1, including $219 million in international equity index funds.

Clients include Connecticut Trust Funds, Federated Department Stores, BP America and Idaho Public Employees.

Lyle H. Davis, managing director, is chief investment officer; Jennifer Dunning, managing director, is client contact.

Boston Security Counsellors

60 State St., Boston, Mass. 02109;
(617) 742-9858

Total assets managed	$300,000,000
Tax-exempt assets managed:	
Total	$49,000,000
Separate accounts	$49,000,000
Minimum separate account	$500,000
Tax-exempt clients	81
Types of accounts managed	C
No. of portfolio managers	5
Size of research staff	2

Boston Security Counsellors Inc. is an active equity, active fixed-income and balanced manager.

Two equity styles are used: a traditional value/growth style; and an expert system that employs artificial intelligence to select sectors, styles and individual securities.

Fixed-income securities are bought based on relative yield. Sector rotation and coupon mix are used to adjust portfolio structures.

The asset mix Jan. 1 was 30% stocks, 65% bonds and 5% cash.

The parent is the Advest Group Inc.

Robert Thomas, president, is chief investment officer; Stephen Gresham, director of marketing, and Joseph Biernat, executive vice president-institutional marketing, are client contacts.

The best corporate treasury departments: June 12.

Bounty Management Corp.

The Bedford Building, 99 Bedford St.,
Boston, Mass. 02111; (617)
357-8285

Total assets managed	$111,000,000
Tax-exempt assets managed:	
Total	$75,000,000
Separate accounts	$75,000,000
Minimum separate account	$500,000
Tax-exempt clients	75
Types of accounts managed	CEFJ
No. of portfolio managers	3

Bounty Management Corp. is an active equity, passive fixed-income and balanced manager.

Its primary equity strategy is fundamentally oriented, combining growth and value investing based on a contrarian approach.

In fixed-income, it swings in and out on the Treasury yield curve based on year-to-year interest rate forecasts for long-term investments only.

The asset mix Jan. 1 was 38% equity, 22% bonds and 40% cash.

Raymond N. Bligh, president, is chief investment officer and client contact.

Bowen, Hanes & Co. Inc.

100 Galleria Parkway, Suite 670,
Atlanta, Ga. 30339; (404) 951-8891

Total assets managed	$550,000,000
Tax-exempt assets managed	$410,000,000
Real estate assets	$5,000,000
Minimum separate account	$1,000,000
Types of accounts managed	CEFG
No. of portfolio managers	2
Size of research staff	1

Bowen, Hanes & Co. Inc. is an equity, fixed-income and balanced manager.

Its equity approach uses low p/e and growth stocks. The firm uses a conservative, quality-oriented, top-down approach. Its fixed-income approach is based on interest rate anticipation.

In real estate, it seeks capital gains opportunities in undeveloped land.

The firm follows 50 stocks closely and 200, generally; 90% of research is generated internally.

U.S. tax-exempt clients include Tampa Firefighters & Police Officers, University of the South Endowment Fund and Classic Leather.

Harold J. Bowen is chief investment officer; Jay Bowen is client contact.

Boys, Arnold & Co.

P.O. Drawer 5255, Asheville, N.C.
28813; (704) 274-1542

Total assets managed	$184,000,000
Tax-exempt assets managed:	
Total	$81,000,000
Separate accounts	$81,000,000
Minimum separate account	$1,000,000
Tax-exempt clients	59
Types of accounts managed	CEF
No. of portfolio managers	3
Size of research staff	2

Boys, Arnold & Co., formerly G. Waring Boys Co. Inc., is an active equity and fixed-income and balanced manager.

Emphasizing low p/e and growth stocks and market timing, its equity approach is value-oriented, fundamental and disciplined.

Its fixed-income approach is driven by interest rate anticipation, emphasizing high quality, liquidity and sector and maturity diversification.

G. Waring Boys, president, is chief investment officer; John B. Kuhns is client contact.

Branch Banking and Trust

P.O. Box 1847, Wilson, N.C. 27893;
(919) 399-4213

Total assets managed	$800,000,000
Tax-exempt assets managed:	
Total	$400,000,000
Commingled accounts	$150,000,000
Separate accounts	$250,000,000
401(k)/457 assets managed	$300,000,000
No. of 401(k)/457 plans	125
Minimum separate account	$1,500,000
Tax-exempt clients:	
Commingled	39
Separate	61
Types of accounts managed	CEFGJ
No. of portfolio managers	3

Branch Banking & Trust Co. is a passive equity, passive fixed-income, balanced and short-term manager.

Its primary equity approach uses quantitative techniques and low p/e stocks.

The asset mix Jan. 1 was 45% equities, 40% bonds and 15% cash.

The bank follows 70 stocks closely and 150, generally.

The parent is BB&T Financial.

David C. McMahon is chief investment officer and client contact.

Brandes Investment Management Inc.

12760 High Bluff Drive, Suite 160, San
Diego, Calif. 92130; (619) 755-0239

Total assets managed	$130,000,000
Tax-exempt assets managed:	
Total	$56,000,000
Separate accounts	$56,000,000
International equity assets	$20,000,000
Minimum separate account	$400,000
Tax-exempt clients	250
Types of accounts managed	CEF
No. of portfolio managers	5

Brandes Investment Management Inc., an active equity and active global equity manager, takes an approach that is global and value-oriented, using Graham & Dodd analysis to identify undervalued securities.

The asset mix Jan. 1 was 60% equities 30% bonds and 10% cash.

U.S. tax-exempt clients include Evaluation Associates, TRI-AD, and Jack White.

Charles H. Brandes, president, is chief investment officer; W. Roberts Wood, vice president, is client contact.

Brandywine Asset Management

The Pennsylvania Bldg., Suite 40
110 S. French St., Wilmington, Del.
19801; (302) 654-6162

Total assets managed	$600,000,000
Tax-exempt assets managed:	
Total	$575,000,000
Separate accounts	$575,000,000
Minimum separate account	$10,000,000
Tax-exempt clients	23
Types of accounts managed	CEFG
No. of portfolio managers	6

Brandywine Asset Management, an active and passive equity manager, invests exclusively in the lowest 25% of the p/e spectrum, producing consistent returns in excess of the market with controlled volatility.

The asset mix Jan. 1 was 95% equities and 5% cash.

The firm follows 70 stocks closely and 175, generally; 70% of the research is generated internally.

U.S. tax-exempt clients include Westinghouse, The Common Fund, NFL Players and Columbia Gas System.

W. Anthony Hitschler is chief investment officer; Frank G. Frey and Willard J. Scott are client contacts.

Stacey Braun Associates

377 Broadway, Eighth Floor, New
York, N.Y. 10013; (212) 226-7707

Total assets managed	$1,190,000,000
Tax-exempt assets managed:	
Total	$1,190,000,000
Separate accounts	$1,190,000,000
International fixed-income assets	$88,000,000
Mortgage-backed assets	$95,000,000
Minimum separate account	$1,000,000
Tax-exempt clients	108
Types of accounts managed	CJ
No. of portfolio managers	8

Stacey Braun Associates Inc. is an active equity, active fixed-income, balanced and short-term manager.

Its equity approach uses Graham & Dodd-based analysis. The major criteria in selection are reasonably consistent earnings growth, low p/e, multiples and dependable dividends for above-average yields.

Its primary fixed-income approach uses interest rate anticipation.

The asset mix Jan. 1 was 25% equities, 52% bonds, 15% cash and 8% mortgage-backed securities.

The firm follows 100 stocks closely and 200, generally; 10% of the research is generated internally.

U.S. tax-exempt clients include Laborers National Pension Fund, United Parcel Service Union, American Guild of Musical Artists and Building Service 32 B-J Pension Fund.

Martin H. Wexler, president, is chief investment officer and client contact.

Breau Capital Management

800 South St., Waltham, Mass. 02154;
(617) 893-0600

Total assets managed	$139,000,000
Tax-exempt assets managed:	
Total	$139,000,000
Separate accounts	$139,000,000
Minimum separate account	$10,000,000
Tax-exempt clients	9
Types of accounts managed	CF
No. of portfolio managers	2
Size of research staff	1

Breau Capital Management Inc., an active equity manager, holds value-oriented portfolios emphasizing low p/e and price-to-book multiples, overlooked companies and undervalued assets.

The asset mix Jan. 1 was 75% equity and 25% cash.

Clients include Pacific Power, Ideal Basic, University of Texas and Martin Marietta.

Edward P. Breau, president, is chief investment officer and client contact.

Daniel Breen & Co.

700 Louisiana, Suite 3400, Houston,
Texas 77002; (713) 223-2110

Total assets managed	$1,247,000,000
Tax-exempt assets managed:	
Total	$1,111,000,000
Pooled accounts	$11,000,000
Separate accounts	$1,100,000,000
Tax-exempt clients:	
Pooled	9
Separate	41
Types of accounts managed	CEFGJ
No. of portfolio managers	4

Daniel Breen & Co. is an active equity, active fixed-income, balanced and tactical asset allocation manager.

Its primary equity approach is rotational value. A two-pronged, top-down approach identifies the stock market environment as p/e or earnings expectations driven and analyzes valuation discrepancies based on market capitalization. This is combined with bottom-up selection of issues. Valuation work is based on historical, relative and absolute measures.

Its primary fixed-income approach is based on interest rate anticipation using economic judgment, correlation models and other tools to determine appropriate duration and maturity. The firm invests primarily in Treasury securities.

The asset mix Jan. 1 was 57% equities, 37% bonds and 6% cash.

Clients include Continental Telecom, NYNEX, Rice University and Reader's Digest.

Daniel A. Breen, president, is chief investment officer; Edward S. McCullough and and G. Gordon Biggar Jr., senior vice presidents, are client contacts.

Bridgewater Associates

372 Danbury Road, Wilton, Conn.
06897; (203) 762-8511

Total assets managed	$300,000,000
Tax-exempt assets managed:	
Total	$50,000,000
Separate accounts	$50,000,000
Minimum separate account	$5,000,000
Tax-exempt clients	5
Types of accounts managed	CF
No. of portfolio managers	3
Size of research staff	3

Bridgewater Associates is an active fixed-income, tactical asset allocation and global asset allocation manager.

Its investment approach evaluates the relative merits of major markets using fundamental and technical systems that monitor economic conditions and identify changes. The firm will go short at customer request. Options, stock index futures and fixed-income futures are used.

All assets were in bonds Jan. 1.

The parent is Bridgewater Group.

Ray Dalio, president, is chief investment officer; Giselle Wagner, vice president, is client contact.

Brignoli, Curley & Roberts Associates

15 W. 39th St., New York, N.Y. 10018;
(212) 869-4233

Total assets managed	$39[illegible],000,000
Tax-exempt assets managed:	
Total	$394,000,000
Pooled accounts	$31,000,000
Separate accounts	$363,000,000
Minimum separate account	$20,000,000
Tax-exempt clients:	
Pooled	3
Separate	10
Types of accounts managed	CE
Size of research staff	4

Brignoli, Curley & Roberts Associates, a quantitative active equity manager, employs a low-risk, fully invested program designed to provide incremental return by capturing a portion of the volatility of individual securities in a portfolio with a sophisticated diversification technique and a disciplined trading strategy.

The asset mix Jan. 1 was 99% stocks and 1% cash.

Clients include Eastman Kodak, Westinghouse, Yale and Raytheon.

Robert L. Hunt is chief investment officer; Bruce Kerr, vice president-marketing, is client contact.

John W. Bristol & Co. Inc.

233 Broadway, New York, N.Y. 10279;
(212) 267-9000

Total assets managed	$2,000,000,000
Tax-exempt assets managed:	
Total	$1,800,000,000
Separate accounts	$1,800,000,000
Minimum separate account	$30,000,000
Tax-exempt clients	31
Types of accounts managed	CEF
No. of portfolio managers	5

John W. Bristol & Co. Inc. is an active equity, active fixed-income and balanced manager.

Its primary equity approach relies on growth stocks, while its primary fixed-income approach focuses on interest rate anticipation.

The asset mix Jan. 1 was 62% stocks, 30% bonds and 8% cash.

The firm follows 60 stocks closely and 200, generally; all research is generated internally.

Charles H. Mott, president, is chief investment officer and client contact.

Alex. Brown Investment Management

135 E. Baltimore St., Baltimore, Md.
21203; (301) 727-1700

Total assets managed	$972,000,000
Tax-exempt assets managed:	
Total	$766,000,000
Separate accounts	$766,000,000
Minimum separate account	$3,000,000
Tax-exempt clients	68
Types of accounts managed	CEFG
No. of portfolio managers	4
Size of research staff	2

Alex. Brown Investment Management is an active equity and balanced manager.

Its equity approach is based on flexible stock selection with a focus on overlooked or out-of-favor stocks where favorable changes are creating significant appreciation potential.

Its fixed-income approach also is flexible. It uses government and corporate bonds, emphasizing quality issues with intermediate maturities.

The asset mix Jan. 1 was 51% stocks, 19% bonds and 30% cash.

The parent company is Alex. Brown and Sons Inc.

J. Dorsey Brown III is chief investment officer and client contact.

Alex. Brown Realty Advisors

2 N. Charles St., Suite 850, Baltimore,
Md. 21201; (301) 783-3200

Total assets managed	$1,105,000,000
Tax-exempt assets managed:	
Total	$1,105,000,000
Pooled accounts	$40,000,000
Separate accounts	$1,065,000,000
Equity real estate assets	$1,076,000,000
Mortgage assets	$30,000,000
Minimum separate account	$50,000,000
Tax-exempt clients:	
Pooled	3
Separate	7
Types of accounts managed	CEFG
No. of portfolio managers	4
Size of research staff	3

Alex. Brown Realty Advisors Inc., a real estate manager, offers closed-end and real estate securities funds.

The firm invests in high-quality retail, warehouse/distribution, office and business park properties through all-cash acquisitions and structured financing. Markets are targeted in selected regions based on investment experience and proprietary research. The current focus is on properties of less than $50 million.

The asset mix Jan. 1 was 97% equity real estate and 3% mortgages.

The company is a joint venture with Alex. Brown & Sons Inc.

U.S. tax-exempt clients include Oregon Public Employes, Texas Teachers and Montgomery County Employees.

Robert H. Gidel and Philip C. Iglehart, managing directors, are chief investment officers; Mahlon Apgar IV, director, and Frank Harding, senior vice president, are client contacts.

Robert C. Brown & Co. Inc.

655 Montgomery St., Suite 1500, San
Francisco, Calif. 94111; (415)
981-4050

Total assets managed	$615,000,000
Tax-exempt assets managed:	
Total	$530,000,000
Separate accounts	$530,000,000
Dedicated/immunized assets	$327,000,000
Minimum separate account	$5,000,000
Tax-exempt clients	8
Types of accounts managed	CF
No. of portfolio managers	3
Size of research staff	1

Robert C. Brown & Co. Inc. is an active and passive fixed-income and short-term manager.

Its fixed-income approach is driven by interest rate anticipation. Its objectives are to conserve principal and maximize total rate of return; market volatility provides opportunities for incremental performance through disciplined, active management. Fixed-income futures are used.

The asset mix Jan. 1 was 100% cash.

Clients include Boeing, Occidental Petroleum, Idaho Power and Hercules.

Robert C. Brown, president, is chief investment officer; Donald C. DeLutis, executive vice president, is client contact.

Brown Brothers Harriman

59 Wall St., New York, N.Y. 10005;
(212) 483-1818

Total assets managed	$12,782,000,000
Tax-exempt assets managed:	
Total	$7,131,000,000
Separate accounts	$7,131,000,000
401(k)/457 assets managed	$600,000,000
No. of 401(k)/457 plans	5
Mortgage-backed assets	$50,000,000
International equity assets	$496,000,000
International fixed-income assets	$18,000,000
Dedicated/immunized assets	$50,000,000
Minimum separate account	$1,000,000
Tax-exempt clients	439
Types of accounts managed	CEFG
No. of portfolio managers	73
Size of research staff	25

Brown Brothers Harriman & Co. is an active equity and fixed-income, balanced, active international/global equity and fixed-income and short-term manager.

Based on fundamental analysis, sector rotation and value screening, its equity approach uses stock selection, diversification and market timing.

Its fixed-income approach is based on an active trading strategy that is employed in an effort to capture incremental returns through three complementary strategies: volatility control; sector allocations; and arbitrage trading.

Options are used.

The asset mix Jan. 1 was 16% stocks, 48% bonds, 29% cash and 7% international stocks.

Elbridge T. Gerry Jr. is chief investment officer; Paul A. Legvold, manager, is client contact.

Brundage, Story and Rose

1 Broadway, New York, N.Y. 10004;
(212) 269-3050

Total assets managed	$1,491,000,000
Tax-exempt assets managed:	
Total	$1,301,000,000
Separate accounts	$1,301,000,000
International equity assets	$60,000,000
Minimum separate account	$5,000,000
Tax-exempt clients	419
Types of accounts managed	CEFGJ
No. of portfolio managers	15
Size of research staff	4

Brundage, Story and Rose is an active equity, active fixed-income, balanced and natural resources (oil and gas) manager.

Its equity approach uses low p/e and growth stocks and Graham & Dodd analysis. Capital is invested on the basis of fundamental long-term economic and financial concentrations.

In fixed-income, the firm stresses safety of principal and stability of income. Portfolios of primarily government securities have relatively short duration and maturity (one to five years).

The asset mix Jan. 1 was 76% stocks, 20% bonds and 4% cash.

Clients include Ohio Operating Engineers, Perkin-Elmer, Westvaco and University of Notre Dame.

Malcolm D. Clarke Jr., partner, is chief investment officer; John F. Norris, director of marketing, is client contact.

Buffalo Capital Corp.

4350 Von Karman, Suite 490, Newport
Beach, Calif. 92660; (714) 476-2799

Total assets managed	$24,000,000
Tax-exempt assets managed:	
Total	$24,000,000
Separate accounts	$24,000,000
International equity assets	$1,000,000
Minimum separate account	$50,000
Tax-exempt clients	125
Types of accounts managed	CG
No. of portfolio managers	2
Size of research staff	1

Buffalo Capital Corp. is an active equity, active fixed-income and tactical asset allocation manager.

The firm specializes in tactical asset allocation, using no-load mutual funds. It attempts to place assets in capital appreciation funds in rising markets and defensively position assets in money market funds during market downturns.

The asset mix Jan. 1 was 50% stocks, 25% bonds and 25% cash.

Mark A. Hoppe is chief investment officer and client contact.

Burgess Capital Corp.

499 Seaport Court, Suite 201,
Redwood City, Calif. 94063; (415)
369-4545

Total assets managed	$222,000,000
Tax-exempt assets managed:	
Total	$215,000,000
Separate accounts	$215,000,000
International equity assets	$110,000,000
Minimum separate account	$3,000,000
Tax-exempt clients	22
Types of accounts managed	CEF
No. of portfolio managers	3

Burgess Capital Corp. is an active international/global equity manager.

Its risk-averse, top-down global approach is based on fundamental analysis of economic, monetary and industry trends worldwide. Holdings are concentrated in a few large/medium cap high-quality issues.

The asset mix Jan. 1 was 88% stocks and 12% cash.

Clients include Crain Communications, New York Public Library and Cullen Foundation.

Robert F. Burgess, president, is chief investment officer; Robert F. Osborne, executive vice president, is client contact.

Directory of international managers: June 26.

Burnham and Co.

202 Federal Square Building; Grand
Rapids, Mich. 49503; (616)
459-1043

Total assets managed	$360,000,000
Tax-exempt assets managed:	
Total	$250,000,000
Separate accounts	$250,000,000
Minimum separate account	$500,000
Tax-exempt clients	70
Types of accounts managed	CEFG
No. of portfolio managers	2
Size of research staff	2

Burnham and Co. is an active fixed-income and balanced manager.

Its equity approach relies on emerging growth and growth stocks, while its fixed-income approach focuses on interest rate anticipation and sector analysis. Options are used.

The asset mix Jan. 1 was 25% stocks, 60% bonds and 15% cash.

Clients include Oakland County (Mich.) and Hope College.

Robert W. Burnham is chief investment officer and client contact.

The Burridge Group Inc.

115 S. LaSalle St., Suite 2280,
Chicago, Ill. 60603; (312) 368-0066

Total assets managed	$35,000,000
Tax-exempt assets managed:	
Total	$19,000,000
Separate accounts	$19,000,000
Minimum separate account	$5,000,000
Tax-exempt clients	8
Types of accounts managed	CEF
No. of portfolio managers	2

The Burridge Group Inc. is a growth equity manager. Its approach uses qualitative and quantitative steps for long-term investments in companies with superior growth in earnings.

The asset mix Jan. 1 was 95% stocks and 5% cash.

Clients include RGK Foundation, Microdot and Roosevelt University.

Richard M. Burridge is chief investment officer; Jack M. Tuhey, executive vice president, is client contact.

BZW Investment Management

P.O. Box 439, Seal House, 1 Swan
Lane, London EC4R 3UD U.K.;
01-623-7777

Total assets managed	$22,500,000,000
Tax-exempt assets managed:	
Total	$90,000,000
Separate accounts	$90,000,000
International equity assets	$8,000,000
International fixed-income assets	$6,000,000
Minimum separate account	$25,000,000
Tax-exempt clients	1
Types of accounts managed	C
No. of portfolio managers	50

BZW Investment Management is an active and passive equity, active fixed-income, tactical asset allocation, balanced, international/global and short-term manager.

Its primary equity approach combines quantitative, passive and tactical allocation features. It uses an indexed core to capture the market and an active satellite to add value.

The primary fixed-income approach balances interest rates, currency, maturity and quality risk against client objectives.

Options, stock index futures and fixed-income futures are used.

The asset mix Jan. 1 was 64% stocks, 32% bonds and 4% cash.

The parent is Barclays Bank PLC.

Donald Brydon, managing director, is chief investment officer; Graham Colbourne, director-international business unit, is client contact.

C

Cabot, Cabot & Forbes Realty Advisors Inc.

60 State St., Boston, Mass. 02109;
(617) 722-8200

Total assets managed	$730,000,000
Tax-exempt assets managed:	
Total	$730,000,000
Separate accounts	$730,000,000
Equity real estate assets	$730,000,000
Minimum separate account	$100,000,000
Tax-exempt clients	7
Types of accounts managed	CG

Cabot, Cabot & Forbes Realty Advisors Inc., a real estate manager, provides separate account management of equity real estate portfolios of office and industrial properties.

As of Jan. 1, all assets were in equity real estate.

The parent company is Cabot, Cabot & Forbes Group of Cos.

U.S. tax-exempt clients include BellSouth, IBM, Eastman Kodak and Shell Oil.

Ferdinand Colloredo-Mansfeld is chief investment officer; Robert M. Angland, executive vice president, is client contact.

Cadence Capital Management Corp.

10 Liberty Square, Boston, Mass.
02109; (617) 451-0250

See entry for PACIFIC FINANCIAL COS.

Cadinha & Co. Inc.

900 Fort Street Mall, Suite 1240,
Honolulu, Hawaii 96813; (808)
523-9488

Total assets managed	$198,000,000
Tax-exempt assets managed:	
Total	$138,000,000
Pooled accounts	$1,000,000
Separate accounts	$137,000,000
Minimum separate account	$500,000
Tax-exempt clients:	
Pooled	20
Separate	122
Types of accounts managed	CEGJ
No. of portfolio managers	4
Size of research staff	1

Cadinha & Co. Inc., a balanced manager, bases its equity approach on growth stocks, using fundamental analysis in determining companies' anticipated growth. Its fixed-income approach uses interest rate anticipation, with yield curve analysis determining the proper maturity placement of high-quality debt.

The asset mix Jan. 1 was 50% equities, 36% bonds and 14% cash.

Harlan Cadinha, president, is the chief investment officer; Janis Akuna, vice president, is the client contact.

Calamos Asset Management

2001 Spring Road, Suite 750, Oak
Brook, Ill. 60521; (312) 571-7115

Total assets managed	$232,000,000
Tax-exempt assets managed:	
Total	$170,000,000
Separate accounts	$170,000,000
Minimum separate account	$250,000
Tax-exempt clients	30
Types of accounts managed	CF
No. of portfolio managers	3
Size of research staff	2

Calamos Asset Management Inc. specializes in convertible securities.

Using 30 quantitative and statistical measures, it evaluates risk/reward for convertible securities with a fundamental bias. Options are used.

All assets were in convertible securities Jan. 1.

Clients include Illinois State Board of Investment, Univar and Knight-Ridder.

John P. Calamos, president and managing director, is chief investment officer; Joyce A. Cagnina, senior vice president and director of marketing, is client contact.

Calcasieu Marine National Bank

P.O. Box 3403, Lake Charles, La.
70602-3403; (318) 494-3317

Total assets managed	$71,000,000
Tax-exempt assets managed:	
Total	$37,000,000
Commingled accounts	$14,000,000
Separate accounts	$23,000,000
Mortgage-backed assets	$1,000,000
Minimum separate account	$100,000
Tax-exempt clients:	
Commingled	42
Separate	13
Types of accounts managed	CEFJ
No. of portfolio managers	1

Calcasieu Marine National Bank is an active equity, active fixed-income, balanced and short-term manager.

Its primary equity approach is conservative, with emphasis on value and large market capitalization. Its primary fixed-income approach is based on interest rate anticipation and anticipation with respect to the federal funds rate.

The asset mix Jan. 1 was 20% stocks, 61% bonds, 10% cash, 5% equity real estate, 1% mortgages and 3% mortgage-backed securities.

The parent is Burton Industries.

Ben W. Buck is chief investment officer; Fred M. Lee, vice president-trust marketing, is client contact.

Cambiar Investors Inc.

8400 E. Prentice Ave., Suite 460,
Englewood, Colo. 80111; (303)
793-3939

Total assets managed	$314,000,000
Tax-exempt assets managed:	
Total	$259,000,000
Separate accounts	$259,000,000
International equity assets	$11,000,000
Minimum separate account	$1,000,000
Tax-exempt clients	16
Types of accounts managed	CFG
No. of portfolio managers	2
Size of research staff	2

Cambiar Investors Inc., an active equity manager, focuses on growth and low p/e stocks. The firm uses relative valuation screens and fundamental analysis to identify sound companies at positive inflection points for a minimum 50% appreciation potential.

The asset mix Jan. 1 was 70% equities and 30% cash.

Clients include United Air Lines, Boeing and City Public Service of San Antonio.

Michael S. Barish, president, is chief investment officer; Wanda Hartgraves, director of marketing, is client contact.

Cambier Investment Management

140 Town & Country Drive, Suite B,
Danville, Calif. 94526; (415)
820-1164

Total assets managed	$7,000,000
Tax-exempt assets managed:	
Total	$4,000,000
Separate accounts	$4,000,000
Minimum separate account	$250,000
Tax-exempt clients	8
Types of accounts managed	C
No. of portfolio managers	1

Cambier Investment Management is an active equity, active fixed-income and balanced manager.

Its equity approach blends fundamental and technical analysis to find undervalued long-term investments. The fixed-income approach uses sector analysis.

The asset mix Jan. 1 was 70% equities and 30% cash.

James T. Cambier is chief investment officer and client contact.

Campbell Advisors Inc.

530 Fifth Ave., New York, N.Y. 10036;
(212) 921-9009

Total assets managed	$485,000,000
Tax-exempt assets managed:	
Total	$367,000,000
Separate accounts	$367,000,000
Minimum separate account	$10,000,000
Tax-exempt clients	14
Types of accounts managed	CEF
No. of portfolio managers	5

Campbell Advisors Inc. is an active equity, short-term and income/growth manager.

Its sector rotational equity approach is based on growth and emerging growth stocks. Its fixed-income approach uses interest rate anticipation. Options are used.

The asset mix Jan. 1 was 96% equities and 4% cash.

Clients include First Boston, TRW and Zayre.

Douglas Campbell Jr. is chief investment officer; Kenneth C. Swenson is client contact.

Campbell, Cowperthwait

215 E. 49th St., New York, N.Y.
10017; (212) 421-3561

Total assets managed	$200,000,000
Tax-exempt assets managed:	
Total	$50,000,000
Separate accounts	$50,000,000
Minimum separate account	$1,000,000
Tax-exempt clients	14
Types of accounts managed	CEFGJ
No. of portfolio managers	3
Size of research staff	1

Campbell, Cowperthwait & Co. Inc., primarily an equity manager, also offers passive fixed-income, balanced, short-term and active municipal bond management.

The firm focuses on high-quality growth stocks, seeking out the best companies in the best industries and buying for the long term. It concentrates assets, has low turnover and does not time the market.

The asset mix Jan. 1 was 90% equity, 8% bonds and 2% cash.

William G. Campbell and James B. Cowperthwait are the chief investment officers; Mr. Cowperthwait is the client contact.

Canagex Investments Ltd.

625 Rene Levesque Blvd. W., Suite
600, Montreal, Quebec H3B 1R2;
(514) 879-9272

Total assets managed	$1,272,000,000
Tax-exempt assets managed:	
Total	$370,000,000
Separate accounts	$370,000,000
For subsidiaries of U.S. firms	$29,000,000
Minimum separate account	$5,000,000
Tax-exempt clients	45
U.S. subsidiaries	1
Types of accounts managed	CEFGU
No. of portfolio managers	5
Size of research staff	5

Canagex Investments Ltd., a Canadian firm, is an active equity, active fixed-income, balanced, tactical asset allocation and short-term manager.

Its equity approach is value-oriented, using low p/e and growth stocks. In fixed-income, it uses interest rate anticipation and sector analysis.

The asset mix Jan. 1 was 35% Canadian stocks, 10% U.S. stocks, 40% bonds and 15% cash.

The parent is The Laurentian Group Corp.

Marc St. Pierre, executive vice president-investments, is chief investment officer; Brian Philbin, vice president-administration, is client contact.

✱INVISTA®
Capital Management, Inc.
AN EQUITY ADVISOR

1500 Hub Tower | 699 Walnut | Des Moines, Iowa 50309 | (515) 247-6582

Looking ahead of the market℠

James Capel Fund Managers
6 Bevis Marks, London, EC3A 7JQ
U.K.; 01-621-0011

Total assets managed	$1,900,000,000
Tax-exempt assets managed:	
Total	$55,000,000
Separate accounts	$55,000,000
Minimum separate account	$10,000,000
Tax-exempt clients	4
Types of accounts managed	CF
No. of portfolio managers	16

James Capel Fund Managers Ltd. is an active and passive equity, active fixed-income, balanced and active international/global manager.

Its active equity approach is a top-down allocation based on economic fundamentals and relative market values. Stocks are selected on the basis of low p/e and strong earnings growth. Options and stock index futures are used.

In fixed income, interest rate and exchange rate forecasts are made based on fundamental economic research for a 12-month time horizon.

The parent is James Capel Holdings.

Stephen Lofthouse is chief investment officer and client contact.

Capital Advisors Inc.
275 Hess Blvd., P.O. Box 5367,
Lancaster, Pa. 17601; (717)
569-4655

Total assets managed	$269,000,000
Tax-exempt assets managed:	
Total	$269,000,000
Separate accounts	$269,000,000
401(k)/457 assets managed	$5,000,000
No. of 401(k)/457 plans	1
Minimum separate account	$10,000,000
Tax-exempt clients	6
Types of accounts managed	CG
No. of portfolio managers	2

Capital Advisors Inc. specializes in short-term cash management and securities lending. It emphasizes highly liquid (two- to 10-day), high-quality portfolio structures.

All assets were in cash Jan. 1.

Clients include Central & South West, Anderson-Clayton, Houston Industries and Blue Cross/Blue Shield of Indiana.

George A. Ominski, president, is chief investment officer; George M. Treffeisen, vice president, is client contact.

Capital Advisors Inc.
320 S. Boston, Suite 2200, Tulsa,
Okla. 74103; (918) 599-0045

Total assets managed	$400,000,000
Tax-exempt assets managed:	
Total	$305,000,000
Separate accounts	$305,000,000
401(k)/457 assets managed	$10,000,000
No. of 401(k)/457 plans	15
Equity indexed assets	$55,000,000
Minimum separate account	$250,000
Tax-exempt clients	125
Types of accounts managed	CFJG
No. of portfolio managers	2
Size of research staff	1

Capital Advisors Inc. is an active and passive equity, active fixed-income and balanced manager.

Its equity approach is top-down, combining growth stock, sector rotation and market-timing strategies. Managers seek to detect trends that provide opportunities or create added risks. Its fixed-income approach uses interest rate anticipation for investing in U.S. government, agency and high-quality corporate obligations. Maturities are staggered between one and 10 years. Options are used.

The asset mix Jan. 1 was 25% stocks, 65% bonds and 10% cash.

Richard E. Minshall is chief investment officer; Lawrence Field is client contact.

Capital Consultants Inc.
2300 SW First Avenue, Portland, Ore.
97201; (503) 241-1200

Total assets managed	$640,000,000
Tax-exempt assets managed:	
Total	$523,000,000
Separate accounts	$523,000,000
Equity real estate assets	$84,000,000
Mortgage assets	$88,000,000
Mortgage-backed assets	$10,000,000
Minimum separate account	$1,000,000
Tax-exempt clients	66
Types of accounts managed	CEFGJ
No. of portfolio managers	7

Capital Consultants Inc. is an active equity, active fixed-income, real estate and balanced manager.

Its primary equity approach is bottom-up and disciplined. Options are used. Its primary fixed-income approach is disciplined, driven by interest rate anticipation and a duration approach, incorporating modest shifts in rate sensitivity and low volatility.

Its real estate approach specializes in office buildings, shopping centers and industrial properties, primarily in the West. The minimum equity acquisition is $1 million. Loans begin at $250,000, providing 10-year payoffs.

The asset mix Jan. 1 was 20% equities, 30% bonds, 14% cash, 16% equity real estate, mortgages 17% and 3% mortgage-backed securities.

Gregory J. Houser, executive vice president, is chief investment officer; Richard A. Becher, vice president-marketing/client services, is client contact.

Capital Guardian Trust Co.
333 S. Hope St., 52nd Floor, Los
Angeles, Calif. 90071; (213)
486-9200

Total assets managed	$16,459,000,000
Tax-exempt assets managed:	
Total	$15,994,000,000
Commingled accounts	$2,145,000,000
Separate accounts	$13,849,000,000
401(k)/457 assets managed	$40,000,000
No. of 401(k)/457 plans	1
International equity assets	$2,690,000,000
International fixed-income assets	$86,000,000
International cash assets	$1,000,000
Minimum separate account	$20,000,000
Tax-exempt clients:	
Commingled	42
Separate	113
Types of accounts managed	CEFG
No. of portfolio managers	17
Size of research staff	71

Capital Guardian Trust Co. is an active equity and fixed-income, balanced, active international/global equity and fixed-income, short-term and U.S. and non-U.S. convertibles manager.

Its equity approach is based on thorough, detailed research and analysis with an emphasis on value. Its fixed-income approach is two-thirds interest rate anticipation and one-third security selection, again using detailed research and analysis with an emphasis on value.

The asset mix Jan. 1 was 72% stocks, 17% bonds and 11% cash.

Clients include Ford, U S WEST, Los Angeles County and University of Notre Dame.

The parent is The Capital Group Inc.

Richard C. Barker, president, is chief investment officer; John H. Seiter, senior vice president, is client contact.

Capital Investment Services of America
700 N. Water St., Suite 325,
Milwaukee, Wis. 53202; (414)
278-7744

Total assets managed	$450,000,000
Tax-exempt assets managed:	
Total	$300,000,000
Separate accounts	$300,000,000
Minimum separate account	$500,000
Tax-exempt clients	180
Types of accounts managed	CEFJ
No. of portfolio managers	4
Size of research staff	2

Capital Investment Services of America is an active equity, active and passive fixed-income and balanced manager.

Its equity approach uses fundamental analysis to identify growth and emerging growth stocks. Sector rotation is also used.

For fixed-income, interest rate anticipation and sector analysis are used, emphasizing quality analysis and risk-averse securities. Options and fixed-income futures are used.

The asset mix Jan. 1 was 45% stocks, 50% bonds and 5% cash.

Clifford T. Nilsen is chief investment officer; William C. Ihlenfeld and William R. Sachse are client contacts.

Capital Management Corp.
417 Central Trust Tower, Cincinnati,
Ohio 45202; (513) 621-7790

Total assets managed	$66,000,000
Tax-exempt assets managed:	
Total	$31,000,000
Separate accounts	$31,000,000
Dedicated/immunized assets	$25,000,000
Minimum separate account	$300,000
Tax-exempt clients	8
Types of accounts managed	CJ
No. of portfolio managers	2

Capital Management Corp. is an active equity, active fixed-income and balanced manager.

Its primary equity approach uses growth stocks, and is oriented toward conservative growth with emphasis on balance sheet strength and cash flow returns. Options are used.

Fixed-income portfolios are managed primarily on an interest rate anticipation basis with maturities seldom extending beyond 15 years.

The asset mix Jan. 1 was 40% equity, 45% bonds and 15% cash.

Richard T. Miller, president, is chief investment officer and client contact.

Capital Management Group of Dominion Trust Co.
201 S. Jefferson St., Roanoke, Va.
24040; (703) 563-6311

Total assets managed	$497,000,000
Tax-exempt assets managed:	
Total	$340,000,000
Commingled accounts	$117,000,000
Separate accounts	$223,000,000
401(k)/457 assets managed	$100,000,000
No. of 401(k)/457 plans	45
Dedicated/immunized assets	$5,000,000
Minimum separate account	$2,000,000
Tax-exempt clients:	
Commingled	438
Separate	37
Types of accounts managed	CEFG
No. of portfolio managers	3

The Capital Management Group of Dominion Trust Co. is an active equity, active fixed-income, balanced, short-term and GIC manager.

Its primary equity approach is quantitative and value oriented. Stocks are purchased in financially strong companies with higher-than-average dividends and earnings growth prospects.

Its primary fixed-income approach is to manage short-duration portfolios for principal stability through CDs, GICs, variable-rate notes and special deposit relationships with financial institutions.

The asset mix Jan. 1 was 20% stocks, 65% bonds and 15% cash.

The parent is Dominion Bankshares Corp.

Peter F. Dawyot is chief investment officer; Peter D. Hartman, vice president, is client contact.

Capital Management International of Deutsche Bank
9 W. 57th St., New York, N.Y. 10019;
(212) 832-1630

Total assets managed	$2,377,000,000
Tax-exempt assets managed:	
Total	$328,000,000
Pooled accounts	$2,000,000
Separate accounts	$326,000,000
International equity assets	$51,000,000
International fixed-income assets	$277,000,000
Minimum separate account	$10,000,000
Tax-exempt clients:	
Pooled	1
Separate	6
Types of accounts managed	CG
No. of portfolio managers	16
Size of research staff	140

Capital Management International of Deutsche Bank is an equity, fixed-income and balanced manager of global and international portfolios.

Its equity approach is top-down with emphasis on country and currency allocation based on economic and political fundamentals. Options are used.

Its fixed-income approach gives equal weight to currency and interest rate considerations.

The asset mix Jan. 1 was 16% equity and 84% bonds.

The parent is Deutsche Bank AG.

Rudolf Heinz, managing director and chairman-investment policy committee, is chief investment officer; Michael Tintelnot, managing director-DB Capital Management, is client contact.

Funding retiree health-care benefits: May 29.

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Capital Research & Management Co.

333 S. Hope St., Los Angeles, Calif.
90071; (213) 486-9200

Total assets managed	$20,564,000,000
Tax-exempt assets managed:	
Total	$3,280,000,000
Pooled accounts	$3,280,000,000
401(k)/457 assets managed	$162,000,000
No. of 401(k)/457 plans	63
Mortgage-backed assets	$13,000,000
International equity assets	$634,000,000
International fixed-income assets	$43,000,000
International cash assets	$361,000,000
Minimum separate account	$20,000,000
Types of accounts managed	CEFG
No. of portfolio managers	15
Size of research staff	63

Capital Research & Management Co. manages U.S. and non-U.S. equity, fixed-income and balanced portfolios, primarily for the American Funds Group of mutual funds.

Its equity approach is fundamental and value oriented, based on thorough, detailed research and analysis. Its fixed-income approach is based on interest rate anticipation and maturity, sector and credit analysis.

The asset mix Jan. 1 was 66.6% equities, 22.1% bonds and 11.3% cash.

The firm follows 600 stocks closely and 1,200, generally; 90% of the research is generated internally.

The parent is The Capital Group.

U.S. tax-exempt clients include American Cyanamid, Chevron, Brunswick and Cooper Tire & Rubber.

Jon B. Lovelace, chairman, is chief investment officer; Benjamin H. Shattuck, vice president, is client contact.

Capital Strategy Group Ltd.

700 Loews Landmark Office Building,
108 W. Jefferson St., Syracuse,
N.Y. 13202; (315) 471-1547

Total assets managed	$32,000,000
Tax-exempt assets managed:	
Total	$23,000,000
Separate accounts	$23,000,000
401(k)/457 assets managed	$250,000
No. of 401(k)/457 plans	1
International equity assets	$500,000
Minimum separate account	$100,000
Tax-exempt clients	74
Types of accounts managed	C
No. of portfolio managers	1
Size of research staff	1

Capital Strategy Group Ltd. is an active equity, active fixed-income and balanced manager.

Its primary equity approach is value-oriented, using absolute and relative growth valuation methods as compared to alternative investments with long-term time horizons. Its fixed-income approach uses interest rate anticipation, sector analysis and credit analysis/special situations. Managers look for yield pickup in undervalued credit plays. Options are used.

The asset mix Jan. 1 was 50% stocks, 32% bonds and 18% cash.

Christopher H. Devoe, executive vice president, is chief investment officer; A. Karen Lubinski, vice president-marketing, is client contact.

Capital Supervisors Inc.

20 N. Clark St., Suite 700, Chicago,
Ill. 60602; (312) 236-8271

Total assets managed	$5,873,000,000
Tax-exempt assets managed:	
Total	$5,841,000,000
Separate accounts	$5,841,000,000
401(k)/457 assets managed	$3,000,000
No. of 401(k)/457 plans	4
Minimum separate account	$2,000,000
Tax-exempt clients	56
Types of accounts managed	CEFJG
No. of portfolio managers	8

Capital Supervisors Inc. is an active equity, active fixed-income and balanced manager.

Its equity approach is based on sector rotation. Managers first identify the major market trend, then the sectors that will benefit from economic trends and, finally, attractive securities within the favored sectors.

Its fixed-income approach combines interest rate anticipation and sector analysis. Portfolios are managed to achieve total returns in excess of returns from a buy-and-hold strategy.

The asset mix Jan. 1 was 35% equity, 50% bonds and 15% cash.

and 150, generally; 50% of research is generated internally.

The parent is Prudential Asset Management.

A. Lee Thurow, chairman, is chief investment officer; Theodore R. Tonneman, vice chairman, is client contact.

Capital Technology Inc.

P.O. Box 2428, Charlotte, N.C. 28247;
(704) 541-1437

Total assets managed	$186,000,000
Tax-exempt assets managed:	
Total	$164,000,000
Pooled accounts	$13,000,000
Separate accounts	$151,000,000
Minimum separate account	$5,000,000
Tax-exempt clients:	
Pooled	1
Separate	20
Types of accounts managed	CEF
No. of portfolio managers	3
Size of research staff	1

Capital Technology Inc. is an active equity, active fixed-income and balanced manager.

Its equity approach focuses on very small capitalization, superior growth issues that are selling at low p/es. Its fixed-income approach uses interest rate anticipation, investing in Treasury notes with maturities of less than five years.

The asset mix Jan. 1 was 92% equity and 8% bonds.

Robb Rowe, president, is chief investment officer; Robert Mathai, vice president, is client contact.

Capital Trust Co.

The River Forum, Suite 450, 4380
S.W. Macadam Ave., Portland, Ore.
97201; (503) 228-2300

Total assets managed	$50,000,000
Tax-exempt assets managed	$50,000,000
Tax-exempt clients	16
Minimum separate account	$5,000,000
Types of accounts managed	CEFJ

Capital Trust Co., primarily a manager of managers, manages $600 million in total assets, all of which is tax-exempt. Capital Trust manages $50 million internally, with the remaining $550 million from 179 clients managed in commingled funds by external firms on its behalf.

The company offers asset planning services to large plan sponsors. For middle-market benefit plans, it will act as a balanced manager, using 11 pooled funds. Equity fund styles cover large-cap, small-cap, growth and indexing. Fixed-income funds use active, passive and GIC strategies. Non-traditional investments include real estate and international investment.

The parent is Harris and Harris Group Inc.

Clients include Washington Water Power, Eldec Corp., Americold and United Grocers.

Ralph C. Rittenour, managing director, is chief investment officer; Charles J. Swindells, chairman, is client contact.

Capitoline Investment Services Inc.

919 E. Main St., Richmond, Va.
23219; (804) 782-7251

Total assets managed	$3,747,000,000
Tax-exempt assets managed:	
Total	$2,270,000,000
Separate accounts	$2,270,000,000
Minimum separate account	$2,000,000
Tax-exempt clients	161
Types of accounts managed	CEFGJ
No. of portfolio managers	15
Size of research staff	5

Capitoline Investment Services Inc. is an active equity and fixed-income, balanced, short-term and GIC manager.

Its primary equity approach is opportunistic and changes investment focus based on judgments of relative value.

Its fixed-income approach emphasizes intermediate-term obligations; the maximum average maturity is 10 years. Sector and quality yield spread analysis are used to structure portfolios.

Options are a separate strategy.

The asset mix Jan. 1 was 23% equities, 18% bonds, 44% cash and 15%

The parent is Crestar Financial Corp.

Clients include Amtrak, Media General, Overnite Transportation and Sweet Briar College.

Ernest C. Frohboese, senior vice president, is chief investment officer; William E. Heisler, senior vice president-director of marketing, is client contact.

Capstone Asset Management Co.

P.O. Box 3167, Houston, Texas
77253-3167; (713) 750-8003

Total assets managed	$869,000,000
Tax-exempt assets managed:	
Total	$680,000,000
Separate accounts	$680,000,000
Mortgage-backed assets	$60,000,000
Equity indexed assets	$400,000,000
Fixed-income indexed assets	$277,000,000
Minimum separate account	$500,000
Tax-exempt clients	5
Types of accounts managed	CJ
No. of portfolio managers	3
Size of research staff	2

Capstone Asset Management Co. is an active and passive equity, active and passive fixed-income, balanced and short-term manager.

Its equity approach is sector rotational, focusing on sector and stock selection based on low relative p/e, low relative price-to-cash flow and yield. Portfolios are diversified.

Its active fixed-income approach is structured, with disciplined management to capitalize on greatest relative value. Its portfolios are diversified and hold high-quality securities.

Options and stock index futures are used.

The asset mix Jan. 1 was 57% equities, 30% bonds, 3% cash and 10% mortgage-backed securities.

The parent is Capstone Financial Services.

Dan E. Watson, chairman, is chief investment officer; Edward L. Jaroski, president, is client contact.

Carnegie Capital Management Co.

1100 The Halle Building, 1228 Euclid
Ave., Cleveland, Ohio 44115-1831;
(216) 781-4441

Total assets managed	$1,800,000,000
Tax-exempt assets managed:	
Total	$1,800,000,000
Pooled accounts	$1,800,000,000
Types of accounts managed	C
No. of portfolio managers	5
Size of research staff	3

Carnegie Capital Management Co. is an equity, fixed-income, balanced and short-term manager.

Its primary equity approach uses growth and emerging growth stock. The firm seeks to maximize total return by adjusting portfolios to business and economic cycles and conditions while controlling turnover ratio.

Its primary fixed-income approach focuses on interest rate anticipation.

Options and fixed-income futures are used.

The asset mix Jan. 1 was 60% stocks, 20% bonds and 20% cash.

Roy L. Wallace is chief investment officer; George R. Mateyo, president and chief executive officer, is client contact.

Carnegie Wealth Management

10 Piedmont Center, Suite 800,
Atlanta, Ga. 30305; (404) 365-9827

Total assets managed	$22,000,000
Tax-exempt assets managed:	
Total	$11,000,000
Separate accounts	$11,000,000
International equity assets	$1,000,000
Minimum separate account	$50,000
Tax-exempt clients	40
Types of accounts managed	C
No. of portfolio managers	1
Size of research staff	1

Carnegie Wealth Management is a balanced and tactical asset allocation manager.

Its primary investment approach is to invest in no-load mutual funds based on MPT techniques and tactical asset allocation models. For equities, the firm considers such variables as Fed

fixed-income, it considers Fed policy and interest rate levels.

The asset mix Jan. 1 was 15% equities, 10% bonds, 65% cash and 10% precious metals.

Don Rowe, chief executive officer, is chief investment officer; Kim Kosier, vice president-marketing, is client contact.

Carret and Co.

122 E. 42nd St., New York, N.Y.
10168; (212) 697-9340

Total assets managed	$295,000,000
Tax-exempt assets managed:	
Total	$100,000,000
Separate accounts	$100,000,000
International equity assets	$5,000,000
International fixed-income assets	$5,000,000
Minimum separate account	$1,000,000
Tax-exempt clients	34
Types of accounts managed	CEF
No. of portfolio managers	11

Carret and Co. is an active and passive equity and balanced manager.

Its value-oriented approach emphasizes small-cap OTC stocks selling below book and that have demonstrated industry leadership. Secondary emphasis is on under-researched listed stocks that appear to be in a turnaround posture.

The asset mix Jan. 1 was 73% equity, 10% bonds and 17% cash.

Gerard O. Carret, executive vice president, is chief investment officer; Frank H. Betz, vice president, is client contact.

Cashman, Farrell and Associates

1235 Westlakes Drive, Berwyn, Pa.
19312; (215) 889-1500

Total assets managed	$1,746,000,000
Tax-exempt assets managed:	
Total	$1,697,000,000
Separate accounts	$1,697,000,000
401(k)/457 assets managed	$8,000,000
No. of 401(k)/457 plans	2
Minimum separate account	$2,000,000
Tax-exempt clients	70
Types of accounts managed	CEFJG
No. of portfolio managers	7
Size of research staff	4

Cashman, Farrell and Associates is an active equity, active fixed-income and balanced manager.

Its equity approach is value-oriented and opportunistic, targeting out-of-favor stocks of sound companies.

Its fixed-income approach is conservative, avoiding risk and capitalizing on inefficiencies in the markets where they present significant opportunity. Sector and yield curve analysis are used.

Fixed-income futures are used.

The asset mix Jan. 1 was 79% stocks, 10% bonds and 11% cash.

The firm follows 120 stocks closely and 400, generally; 85% of research is generated internally.

U.S. tax-exempt clients include Rockwell International, American Airlines, Pennsylvania State Teachers and Pacific Enterprises.

Daniel V. Cashman is chief investment officer.

Cedar Hill Associates Inc.

33 N. LaSalle St., Suite 2600,
Chicago, Ill. 60602; (312) 641-3161

Total assets managed	$83,000,000
Tax-exempt assets managed:	
Total	$56,000,000
Separate accounts	$56,000,000
Minimum separate account	$500,000
Tax-exempt clients	14
Types of accounts managed	CG
No. of portfolio managers	2
Size of research staff	1

Cedar Hill Associates Inc. is an active equity, active and passive fixed-income and balanced manager.

Its equity approach seeks to enhance the results of value investing by taking advantage of the effect interest rate changes have on stock returns. The firm uses systematic, quantitative decision-making.

Its fixed-income approach is based on total return, identifying critical turning points in interest rates.

The asset mix Jan. 1 was 83% equity, 14% bonds and 3% cash.

Clients include Illinois Teachers.

Joel H. Jastromb, president, is chief

25 largest banks & trust cos.

Firm	$ mils.*
Bankers Trust	62,492
Wells Fargo	57,878
J.P. Morgan	53,000
Mellon Bank	47,201
State Street Bank	34,500
Capital Guardian	15,994
Chase	14,800
Northern Trust	14,231
Trust Co./West	13,075
Boatmen's Trust	11,484
American Nat'l/Chicago	10,929
NCNB	10,921
First Chicago	10,594
First Fidelity	10,168
PNC	8,855
Harris Trust	8,724
Chemical Bank	8,686
Bank N.Y.-Irving Trust	8,669
Fidelity Mgmt. Trust	7,451
National City	7,355
Ameritrust	7,304
First Interstate	6,477
ASB	5,811
Nat'l Bank/Detroit	5,800
First Wachovia	5,670
TOTAL	448,049

* discretionary, tax-exempt assets, including subsidiaries

Centre Square Investment Group Inc.

1700 Market St., Suite 1919,
Philadelphia, Pa. 19103; (215)
786-7070

Total assets managed	$807,000,000
Tax-exempt assets managed:	
Total	$753,000,000
Pooled accounts	$310,000,000
Separate accounts	$443,000,000
Minimum separate account	$5,000,000
Tax-exempt clients:	
Separate	44
Types of accounts managed	CEFGJ
No. of portfolio managers	3
Size of research staff	2

Centre Square Investment Group Inc. is an active equity, active fixed-income and balanced manager.

The equity approach focuses on high-quality companies with accelerating earnings momentum and potential for market appreciation. The firm packages industry sectors and trades at the margin in core positions to reduce risk.

Fixed-income portfolios are structured to maximize yield and minimize risk within a client's maturity parameters. Portfolios feature higher yield, higher quality and shorter maturity than benchmark indexes.

The asset mix Jan. 1 was 34% equities and 66% bonds.

The parent is First Pennsylvania Corp.

Donald E. Carver, president, is chief investment officer; Kevin J. Mailey, executive vice president, is client contact.

Centum Financial Management Inc.

50 Columbus Blvd., Hartford, Conn.
06106-1997; (203) 548-9948

Total assets managed	$26,000,000
Tax-exempt assets managed	$0
Minimum separate account	$250,000
No. of portfolio managers	1
Size of research staff	1

Centum Financial Management Inc. is an active equity and fixed-income, balanced and active international/global fixed-income manager.

Its primary equity approach is value oriented, using discounted risk-adjusted free cash flow; break-up/LBO value; liquidation value; and relative valuation. Its primary fixed-income approach is based on interest rate anticipation, with a yield orientation and long-term perspective.

Options are used.

Aaron Cohen, managing director, is chief investment officer; Mr. Cohen and Steve Kohl are client contacts.

Certus Financial Corp.

4 Embarcadero Center, Suite 2850,
San Francisco, Calif. 94111; (415)

Total assets managed	$1,000,000,000
Tax-exempt assets managed	
Total	$1,000,000,000
Pooled accounts	$67,000,000
Separate accounts	$933,000,000
401(k)/457 assets managed	$750,000,000
No. of 401(k)/457 plans	13
Minimum separate account	$15,000,000
Tax-exempt clients	
Separate	19
Types of accounts managed	C
No. of portfolio managers	3
Size of research staff	2

Certus Financial Corp. is a short-term cash and GIC manager.

The firm applies active management techniques to GIC portfolios.

The asset mix Jan. 1 was 5% cash and 95% investment contracts.

The firm follows 71 issuers closely; all research is generated internally.

The firm is affiliated with RCM Capital Management in San Francisco.

Clients include Basic American Foods, LTV, Texas Utilities Service and Wickes Cos.

David M. Perry, president and senior portfolio manager, is chief investment officer; Bruce D. Simon, portfolio manager, is client contact.

CFB Advisory

P.O. Box 27602, Richmond, Va.
23261; (804) 697-7010

Total assets managed	$960,000,000
Tax-exempt assets managed	
Total	$414,000,000
Pooled accounts	$59,000,000
Separate accounts	$355,000,000
401(k)/457 assets managed	$37,000,000
No. of 401(k)/457 plans	80
Minimum separate account	$1,000,000
Tax-exempt clients	209
Types of accounts managed	CEJ
No. of portfolio managers	7

CFB Advisory is an active equity, active fixed-income, balanced and short-term manager.

Its equity approach emphasizes companies with a proven record of earnings growth and profitability that are selling at a below average p/e. Its fixed-income approach incorporates an active duration process in which the portfolio duration is adjusted in accordance with the interest rate outlook. Options are used.

The asset mix Jan. 1 was 35% stocks, 60% bonds and 5% cash.

The parent is Central Fidelity Bank.

Paul P. Baran, president, is chief investment officer and client contact.

Chancellor Capital Management

153 E. 53rd St., New York, N.Y.
10022; (212) 891-6500

Total assets managed	$16,555,000,000
Tax-exempt assets managed	
Total	$13,131,000,000
Pooled accounts	$4,948,000,000
Separate accounts	$8,183,000,000
401(k)/457 assets managed	$3,287,000,000
No. of 401(k)/457 plans	75
Mortgage-backed assets	$500,000,000
Equity indexed assets	$1,013,000,000
Fixed-income indexed assets	$71,000,000
Dedicated/immunized assets	$85,000,000
Minimum separate account	$10,000,000
Tax-exempt clients	
Separate	250
Types of accounts managed	CEFG
No. of portfolio managers	32
Size of research staff	20

Chancellor Capital Management, formerly Citicorp Investment Management Inc., is an active and passive equity, active and passive fixed-income, balanced, tactical asset allocation and short-term manager.

Its primary equity approach is growth-oriented. The firm seeks companies with positive fundamental change and compelling values, with input from its Investment Technology Group.

Its primary fixed-income approach is driven by interest rate anticipation and seeks to provide superior absolute and relative fixed-income rates of return consistent with client objectives.

Real estate investments are made in securities of REITs, commercial developers, community developers and land-rich companies.

Options and stock index futures are used.

The asset mix Jan. 1 was 32% equities, 25% bonds, 40% cash and 3% mortgage-backed securities.

The parent is USF&G Financial Services Corp.

Robert G. Wade, president and chairman of the board, is chief investment officer; Joseph Haley, managing director, is client contact.

Chase Investment Counsel

300 Preston Ave., Suite 403,
Charlottesville, Va. 22901; (804)
293-9104

Total assets managed	$172,000,000
Tax-exempt assets managed	
Total	$125,000,000
Separate accounts	$125,000,000
Minimum separate account	$3,000,000
Tax-exempt clients	10
Types of accounts managed	CEFJ
No. of portfolio managers	2
Size of research staff	1

Chase Investment Counsel Corp. is an active equity, active fixed-income and balanced manager.

Its equity approach stresses undervalued, low p/e and growth stocks with good continuity of earnings and intermediate market capitalization.

Its fixed-income approach uses interest rate anticipation with a short- to intermediate-term orientation.

The firm uses options.

The asset mix Jan. 1 was 53% equity, 36% bonds and 11% cash.

Clients include Sisters of St. Francis; Preston Trucking; and Bradley Foundation.

Derwood S. Chase Jr. is chief investment officer and client contact.

Chase Investors Management Corp.

1211 Avenue of the Americas, New
York, N.Y. 10036; (212) 730-3359

Total assets managed	$26,800,000,000
Tax-exempt assets managed:	
Total	$14,800,000,000
Pooled accounts	$7,200,000,000
Separate accounts	$7,600,000,000
Equity real estate assets	$120,000,000
Mortgage-backed assets	$30,000,000
International equity assets	$835,000,000
International fixed-income assets	$30,000,000
International cash assets	$3,000,000
Equity indexed assets	$2,300,000,000
Fixed-income indexed assets	$363,000,000
Dedicated/immunized assets	$1,500,000,000
Minimum separate account	$10,000,000
Tax-exempt clients:	
Pooled	200
Separate	300
Types of accounts managed	CEFGJ
No. of portfolio managers	74

Chase Investors Management Corp. is an active and passive equity, active and passive fixed-income, balanced, tactical asset allocation, real estate, active and passive international/global, short-term and oil and gas manager.

Its primary equity approach focuses on growth and emerging growth stock. Its primary fixed-income approach uses sector analysis, identifying undervalued bonds in particular markets.

Its real estate approach emphasizes acquisition and active management of U.S., income-producing properties. Risk-reward relationships are balanced with market cycle considerations.

Options, stock index futures and fixed-income futures are used.

The asset mix Jan. 1 was 38% stocks, 23% bonds, 38% cash, 0.8% equity real estate and 0.2% mortgage-backed securities.

The parent is Chase Manhattan Corp.

J. Richard Zecher, president, is chief investment officer; Russell M. Blumenthal, managing director, is client contact.

Chelsea Management Co.

888 W. Sixth St., Suite 1400, Los
Angeles, Calif. 90017; (213)
362-9200

Total assets managed	$509,000,000
Tax-exempt assets managed:	
Total	$307,000,000
Separate accounts	$307,000,000
Equity real estate assets	$1,000,000
Mortgage-backed assets	$23,000,000
International equity assets	$1,000,000
Minimum separate account	$1,000,000
Tax-exempt clients	34
Types of accounts managed	CEFJ
No. of portfolio managers	5
Size of research staff	2

Chelsea Management Co. is an active equity, active fixed-income and balanced manager.

"MY JOB ISN'T TO BE A HERO. IT'S TO MAKE MY CLIENT THE HERO."

The phone call: "My properties aren't making the numbers I projected. I know the potential's there. I told the investors it was there. I'm just not getting effective property management."

He knows what the problem is. He's calling me for the solution.

I get the calls because I represent R&B's Oakwood Corporate Apartment and management program. And we've developed a proven method for increasing rental rates and occupancy.

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R&B

THE PROFIT ABILITY PROFESSIONALS.

Its primary equity approach emphazes low p/e and large-cap stocks, sing sector rotation and market timg tactical asset allocation. Its primary xed-income approach uses interest ate anticipation and trends.

Options are used.

The asset mix Jan. 1 was 45% equies, 41% bonds, 13% cash and 1% ortgage-backed securities.

Clients include Motion Picture Indusy Pension Plan, International Photogaphers and Century National Insurnce.

Frederick J. Ruopp is chief investent officer; Dale K. Longacre, assisant director of marketing, is client conact.

he Chemical Investment Group

0 Rockefeller Plaza, 59th Floor, New
York, N.Y. 10112; (212) 621-2048

otal assets managed	$12,076,000,000
ax-exempt assets managed	$7,821,000,000
o. of portfolio managers	33
ize of research staff	16

The Chemical Investment Group, hrough its subsidiaries, is an equity, xed-income, balanced, international/ lobal and money market manager.

The parent is Chemical Banking orp.

Kenneth S. Rolland, managing irector, is chief investment officer; Edard E. Madden, managing director, is lient contact.

The following subsidiaries' assets re included in the data above.

• Chemical International Asset Mangement, an international balanced nd active equity and fixed-income anager, manages $105 million in taxxempt assets.

Its equity approach is top-down, esmating one-year rates of return for onds, equities and cash worldwide. elative p/e screens are used to assist individual stock selection.

Its fixed-income approach uses topown analysis to identify the most atractive bond markets. Market duration ithin each country is adjusted to reect interest rate movements.

Options and financial futures are sed.

The asset mix Jan. 1 was 65% interational equity; 15% international onds; and 20% international cash.

Alan Pendleton is chief investment fficer; Elizabeth Wainwright, client aison officer, is client contact.

• Chemical Investment Management Co. manages $3.902 billion in ax-exempt assets in active and passive fixed-income and short-term acounts.

Its investment approach structures ortfolios to reflect forecasts of interest ates, yield curve shape and non-Treasury yield spreads. Variations from the enchmark structure are within speciied limits and are based on attractiveess of maturities and sectors.

Its asset mix Jan. 1 was 92% bonds nd 8% cash.

Mr. Rolland is chief investment offier; Robert W. Stone, managing direcor, is client contact.

• Chemical Trust & Banking Co. Ltd. Japan), an active international/global quity, balanced and short-term manager, manages $16 million in tax-exmpt assets.

Its equity approach is to identify and eight attractive market sectors and stocks expected to benefit from trends in the Japanese economy. Financial futures are used.

The asset mix Jan. 1 was 67% equity, 2% bonds and 31% cash.

Yasushi Matsumoto is chief investment officer; Yoshio Tokuyama, head of the marketing department, is client contact.

• Investment & Capital Management Corp., an active equity, active fixed-income, balanced, active international/ global equity and fixed-income, and short-term manager, manages $1.278 billion in tax-exempt assets.

It offers three equity approaches: growth through value, emphasizing low p/e stocks; real income growth, emphasizing an income orientation based on a growing stream of dividends; and diversified value, using asset allocation, sector emphasis and stock selection as decision factors.

Fixed-income accounts are managed within clearly defined duration guidelines to benefit from anticipated changes in interest rates, yield spread among sectors and credit quality.

Options and financial futures are used.

The asset mix Jan. 1 was 49% equity, 39% bonds and 12% cash.

Jan B. Persson, president, is chief investment officer; Marisa C. Newman, assistant vice president, is client contact.

• Texas Commerce Investment Management Co., an active equity, active and passive fixed-income, balanced and short-term manager, manages $2.52 billion in tax-exempt assets.

The firm's primary equity approach emphasizes growth stocks, based on the belief stock prices reflect earnings patterns and that small and medium companies that are not widely owned or followed will outperform large-cap companies over a market cycle. Stock selection is based on fundamental research augmented with quantitative analysis.

The fixed-income approach changes average maturity based on interest rate anticipation. The maturity rarely is extended beyond the intermediate range. Technical analysis of price momentum indicators enhances the buy/ sell decision and produces additional return without increasing risk.

The asset mix Jan. 1 was 25% equity, 35% bonds and 40% cash.

Geoffery P. Raymond is chief investment officer; John F. Cooke is client contact.

Chemical International Asset Management

180 Strand, London WC2R 1EX, U.K.;
01-380-5111

See entry for THE CHEMICAL INVESTMENT GROUP.

Chemical Investment Management Co.

30 Rockefeller Plaza, 59th Floor, New
York, N.Y. 10112; (212) 621-2048

See entry for THE CHEMICAL INVESTMENT GROUP.

Chemical Trust & Banking Co. Ltd. (Japan)

3-1 Marunouchi 2-chome, Chiyoda-ku,
Tokyo 100, Japan; 03-214-9590

See entry for THE CHEMICAL INVESTMENT GROUP.

Chicago Asset Management

11 S. LaSalle St., Suite 2800,
Chicago, Ill. 60603; (312) 372-7469

Total assets managed	$550,000,000
Tax-exempt assets managed	
Total	$550,000,000
Separate accounts	$550,000,000
Mortgage-backed assets	$45,000,000
Minimum separate account	$10,000,000
Tax-exempt clients	28
Types of accounts managed	CJG
No. of portfolio managers	4

Chicago Asset Management Co. is an active equity, active fixed-income, balanced and short-term manager.

Its equity approach is value oriented, bottom-up and contrarian, distinguished by a "rebalancing" technique.

Its fixed-income approach relies on sector analysis and a controlled risk strategy that reduces dependence on interest rate anticipation while using sector rotation and yield curve analysis.

The asset mix Jan. 1 was 42% equity, 51% bonds and 7% cash.

The parent is United Asset Management Corp.

Jon F. Holsteen, president, is chief investment officer and client contact.

The Chicago Corp.

208 S. LaSalle St., Chicago, Ill. 60604;
(312) 855-5985

"WE DON'T WORK WITH ASSETS. WE WORK WITH ASSET MANAGERS."

We operate in some of the nation's most challenging and rewarding markets. Cities like Denver, Dallas, Houston, Los Angeles, San Jose, Newport Beach, Phoenix and Seattle are just some of the places we've called home for nearly 15 years. Last year, in a collaborative effort with Institutional Owners and Asset Managers, we added 1.8 million square feet of office and industrial property to our growing portfolio—now totalling 9 million square feet in 55 locations.

Our hands-on property management, leasing and marketing skills make a positive impact on project performance. But in the final analysis, the tools of our trade are topnotch people...good people working together to do great things in commercial real estate.

Richard A. Ross
Vice President, Marketing
In California, call: (213) 444-2473
Outside California, call: (800) 624-2890

R&B

THE PROFIT ABILITY PROFESSIONALS.

Total assets managed	$1,089,000,000
Tax-exempt assets managed	
Total	$558,000,000
Separate accounts	$558,000,000
Minimum separate account	$1,000,000
Tax-exempt clients	72
Types of accounts managed	CEFJ
No. of portfolio managers	6
Size of research staff	12

The Chicago Corp. is an active equity, active fixed-income and balanced manager.

Its primary equity approach stresses stocks with consistent growth over an economic cycle that sell at undervalued multiples.

Its primary fixed-income approach uses interest rate anticipation. Long bonds are bought when interest rates are declining.

The asset mix Jan. 1 was 44% stocks, 15% bonds and 41% cash.

The parent company is Chicorp.

Jon Ender, senior vice president, is chief investment officer; Charles Klimkowski, vice president, is client contact.

Chicago Title & Trust Co. Investment Management

111 W. Washington St., Chicago, Ill.
60602; (312) 630-2765

Total assets managed	$2,600,000,000
Tax-exempt assets managed	
Total	$870,000,000
Pooled accounts	$280,000,000
Separate accounts	$590,000,000
401(k)/457 assets managed	$280,000,000
No. of 401(k)/457 plans	170
Mortgage-backed assets	$100,000,000
Minimum separate account	$3,000,000
Tax-exempt clients	
Pooled	170
Separate	31
Types of accounts managed	CEFJ
No. of portfolio managers	10
Size of research staff	4

Chicago Title & Trust Co. Investment Management Group is an active equity, active fixed-income, balanced, short-term and GIC manager.

Its primary equity approach is quantitative, emphasizing bottom-up, long-term value stock selection. The firm concentrates on security analysis.

Its primary fixed-income approach emphasizes management toward a market reference point to enhance returns via security and sector swapping and credit analysis.

The asset mix Jan. 1 was 30% stocks, 40% bonds, 15% cash and 15% GICs.

The parent is Alleghany Corp.

A. Vincent Agnew Jr., senior vice president, is chief investment officer; Thomas S. Heath, director of institutional marketing, is client contact.

Churchill Management Corp.

5900 Wilshire Blvd., Los Angeles,
Calif. 90036, (213) 937-7110

Total assets managed	$170,000,000
Tax-exempt assets managed	
Total	$95,000,000
Separate accounts	$95,000,000
401(k)/457 assets managed	$10,000,000
No. of 401(k)/457 plans	3
Equity real estate assets	$6,000,000
Mortgage assets	$10,000,000
Mortgage-backed assets	$1,000,000
Minimum separate account	$1,000,000
Tax-exempt clients	55
Types of accounts managed	CEFJ
No. of portfolio managers	3
Size of research staff	4

Churchill Management Corp. is an active equity, passive fixed-income, balanced and real estate manager.

Its equity approach combines growth and low p/e stocks and market timing. Its fixed-income approach bases maturity lengths on intermediate-term forecasts. Its real estate approach establishes limited partnerships of high-quality investments using non-leveraged properties.

The asset mix Jan. 1 was 35% stocks, 40% bonds, 9% cash, 6% equity real estate and 10% mortgages.

Fred A. Fern is chief investment officer; Steven P. Mann, vice president, is client contact.

CIC Asset Management

180 Maiden Lane, 10th Floor, New
York, N.Y. 10038; (212) 440-7526

Total assets managed	$10,800,000,000
Total discretionary assets	$1,903,000,000
Tax-exempt assets managed:	
Total	$503,000,000
Separate accounts	$503,000,000
401(k)/457 assets managed	$152,000,000
No. of 401(k)/457 plans	1
Minimum separate account	$10,000,000
Tax-exempt clients	1
Types of accounts managed	C
No. of portfolio managers	13
Size of research staff	14

CIC Asset Management is an active equity, active and passive fixed-income, balanced, active and passive international fixed-income, short-term, and options and futures manager.

Its primary equity approach uses Graham & Dodd analysis, investing conservatively in sectors with low price fluctuation and in companies with more predictable future earnings and dividend streams. Its primary fixed-income approach uses interest rate anticipation, sector analysis and non-consensus analysis of specific securities.

Options, stock index futures and fixed-income futures are used.

The separate account asset mix Jan. 1 was 41% stocks, 43% bonds, 6% cash, 5% convertibles and 5% options.

The parent is Continental Insurance Corp.

Walter J. Blasberg, president, and Gerald Bollman, executive vice president, are chief investment officers; Diane S. Bressler, vice president marketing and sales, is client contact.

CIGNA Asset Advisers Inc.

Hartford, Conn. 06152; (203)
726-6000

Total assets managed	$49,565,000,000
Total discretionary assets	$25,755,000,000
Tax-exempt assets managed	
Total	$24,827,000,000
Pooled accounts	$4,682,000,000
Separate accounts	$2,409,000,000
GICs	$1,149,000,000
Annuities	$1,048,000,000
Other	$15,539,000,000
401(k)/457 assets managed	$3,200,000,000
No. of 401(k)/457 plans	1,600
Equity real estate assets	$1,820,000,000
Mortgage assets	$8,476,000,000
International equity assets	$168,000,000
Equity indexed assets	$80,000,000
Dedicated/immunized assets	$2,317,000,000
Minimum separate equity account	$10,000,000
Minimum separate bond account	$20,000,000
Tax-exempt clients	
Pooled	622
Separate	28
Types of accounts managed	CEFG
No. of portfolio managers	26
Size of research staff	27

CIGNA Asset Advisers Inc. is an active and passive equity, active fixed-income, tactical asset allocation, real estate, active international equity and short-term manager.

Its domestic equity approach is value-oriented, balancing earnings growth and value. Research-based fundamental analysis identifies stocks with superior value and return potential over the long-term. Stock index futures are used in its commingled stock index fund.

Its primary fixed-income approach is cyclical anticipation of interest rates. The firm does not attempt to capture minor fluctuations, but rather major interest rate movements over full economic cycles.

The real estate approach focuses on opportunities created by property life cycles. Diversified and specialized investments are structured to take advantage of risk and return trade-offs.

The separate account asset mix Jan. 1 was 30% equity; 34% bonds; 12% cash; 21% equity real estate; and 3% mortgages.

The parent is CIGNA Corp.

George R. Trumbull, executive vice president-CIGNA Corp., is chief investment officer; William E. Chapman, president-CIGNA Asset Advisers, is client contact.

The assets of the following subsidiaries are included in the data above.

- CIGNA International Investment Advisors Ltd., London, manages $170 million in tax-exempt assets for U.S. clients.

An international manager, it takes a low-risk, top-down equity approach in allocating assets to geographic regions. Typically, a minimum of 19 countries are monitored. Within each country, major fundamental changes in economic growth patterns are identified, driving sector concentration. Then, very liquid, high quality stocks within countries and sectors are selected to form a well-diversified, low-risk portfolio. Foreign currency exposure is part of the geographic allocation decision.

David Strecker is managing director and chief investment officer; Mr. Chapman is client contact in Hartford.

- Connecticut General Pension Services Inc. provides asset allocation services to more than 300 defined benefit plans representing $3 billion in assets.

Rosemary S. Cleaves, president, is client contact.

CIGNA International Investment Advisors Ltd.

c/o CIGNA Asset Advisers Inc.,
Hartford, Conn. 06152; (203)
726-6241

See entry for CIGNA ASSET ADVISERS INC.

CIMG Inc.

P.O. Box 17500, Milwaukee, Wis.
53217; (414) 241-4575

Total assets managed	$120,000,000
Tax-exempt assets managed	
Total	$65,000,000
Separate accounts	$65,000,000
Minimum separate account	$250,000
Tax-exempt clients	87
Types of accounts managed	CEF
No. of portfolio managers	3
Size of research staff	1

CIMG Inc. is an active fixed-income and balanced manager.

Its primary equity approach uses sector rotation and market timing/tactical asset allocation. Equities are concentrated in market sectors benefiting from the current business cycle.

Its fixed-income approach uses interest rate anticipation in government securities. Average maturities range from two to 25 years.

The asset mix Jan. 1 was 15% equity, 70% bonds and 15% cash.

Louis T. Chambers is chief investment officer and client contact.

Citicorp Investment Management

153 E. 53rd St., 22nd Floor, New York,
N.Y. 10043; (212) 559-9353

Total assets managed	$13,638,000,000
Tax-exempt assets managed:	
Total	$330,000,000
Commingled accounts	$83,000,000
Separate accounts	$247,000,000
International equity assets	$285,000,000
International fixed-income assets	$10,000,000
International cash assets	$35,000,000
Minimum separate account	$10,000,000
Tax-exempt clients:	
Commingled	11
Separate	8
Types of accounts managed	CG
No. of portfolio managers	33
Size of research staff	3

Citicorp Investment Management is an international/global manager. Its domestic ERISA business was sold to USF&G in 1988.

Its active equity approach combines a centralized global asset allocation process with securities selected by local portfolio managers in each of the major financial markets. The fixed-income approach follows a centralized country allocation process with a heavy emphasis on currency and duration management. It uses currency options and fixed-income futures.

The asset mix of the active equity accounts Jan. 1 was 98.9% equity, 0.4% bonds and 0.7% cash.

The parent is Citicorp.

Anthony Watson is chief international investment officer; John C. Maher, vice president-director of North American marketing, is client contact.

Citizens Fidelity Capital Management Co.

Citizens Plaza, Louisville, Ky. 40296;
(502) 581-2129

Total assets managed	$2,700,000,000
Tax-exempt assets managed:	
Total	$860,000,000
Commingled accounts	$92,000,000
Separate accounts	$768,000,000
Mortgage-backed assets	$86,000,000
Minimum separate account	$500,000
Tax-exempt clients:	
Commingled	180
Separate	539
Types of accounts managed	CEFGJ
No. of portfolio managers	6
Size of research staff	3

Citizens Fidelity Capital Management Co. is an active and passive equity, active and passive fixed-income, balanced and short-term manager.

Its primary equity approach relies on value, not only low p/e, but also earnings growth. Asset allocation, but not market timing, is used.

In fixed-income, sector analysis is used; maturities don't exceed 10 years.

Options are used.

The asset mix Jan. 1 was 40% stocks, 40% bonds, 10% cash and 10% mortgage-backed securities.

The parent is PNC Financial Corp.

Ronald J. Murphy, president, is chief investment officer; Robert T. Goetz, vice president and director of marketing, is client contact.

Citizens and Southern Trust

P.O. Box 13388, St. Petersburg, Fla.
33733; (813) 821-8111

Total assets managed	$1,640,000,000
Tax-exempt assets managed:	
Total	$498,000,000
Commingled accounts	$58,000,000
Separate accounts	$440,000,000
401(k)/457 assets managed	$42,000,000
No. of 401(k)/457 plans	22
Real estate equity assets	$10,000,000
International equity assets	$6,000,000
Minimum separate account	$1,000,000
Tax-exempt clients:	
Commingled	98
Separate	72
Types of accounts managed	CEFG
No. of portfolio managers	16

Citizens and Southern Trust Co. is an active equity, active fixed-income, balanced, real estate, active international/global equity and passive international/global bond manager.

Its primary equity approach is bottom-up, identifying value by low p/e, higher yielding stocks with positive earnings and price momentum.

Its primary fixed-income approach uses yield curve analysis and targets bonds with a minimum rating of A and a maximum average maturity of 10 years.

Its real estate approach focuses on high-grade commercial properties in Southeastern corridors capable of producing attractive cash returns and that have lease structures with potential rental increases and expense stops.

The asset mix Jan. 1 was 40% stocks, 45% bonds and 15% cash.

The parent is Citizens and Southern Corp.

Vernon B. Gayne Jr., senior vice president, is chief investment officer; Dan Davis, vice president-sales, is client contact.

City National Bank

120 S. Spalding Drive, Beverly Hills,
Calif. 90212; (213) 550-5656

Total assets managed	$530,000,000
Tax-exempt assets managed:	
Total	$177,000,000
Separate accounts	$177,000,000
Mortgage-backed assets	$5,000,000
Minimum separate account	$500,000
Tax-exempt clients	50
Types of accounts managed	CF
No. of portfolio managers	2
Size of research staff	2

City National Bank is an active and passive equity and fixed-income and balanced and short-term manager.

Its primary equity approach uses a Graham & Dodd value orientation, seeking stocks with favorable fundamentals and that are undervalued relative to their underlying asset base and future earnings potential.

Its primary fixed-income approach emphasizes short to intermediate securities. Assets are placed where the yield curve provides the greatest return within those time parameters.

Options are used.

The asset mix Jan. 1 was 25% stocks, 55% bonds, 17% cash and 3% mortgage-backed securities.

The parent is City National Corp.

Jerry Clebanoff, vice president, is chief investment officer; he and Vito Gioiello, trust officer, are client contacts.

Citytrust

961 Main St., Bridgeport, Conn.
06601; (203) 384-5852

Total assets managed	$750,000,000
Tax-exempt assets managed	
Total	$350,000,000
Commingled accounts	$200,000,000
Separate accounts	$150,000,000
Real estate equity assets	$2,000,000
Mortgage-backed assets	$15,000,000
International equity assets	$5,000,000
Minimum separate account	$1,000,000
Tax-exempt clients:	
Commingled	250
Separate	100
Types of accounts managed	CEFG
No. of portfolio managers	7

Citytrust is an active equity, active and passive fixed-income, balanced, tactical asset allocation, real estate, short-term and GIC manager.

Its primary equity approach is value-oriented, using low p/e and growth stocks. Sector rotation and tactical asset allocation are employed.

Its fixed-income approach uses interest rate anticipation, sector analysis and yield curve analysis.

The asset mix Jan. 1 was 50% stocks, 35% bonds, 10% cash and 5% mortgage-backed securities.

The parent is Citytrust Bancorp.

Roger L. Perry, senior vice president, is chief investment officer; James T. Mills is client contact.

Clean Yield Asset Management Inc.

224 State St., Portsmouth, N.H.
03801; (603) 436-0820

Total assets managed	$2,000,000
Tax-exempt assets managed	$0
Minimum separate account	$75,000
No. of portfolio managers	3

Clean Yield Asset Management Inc. is an equity manager that specializes in socially responsible investing. Investments are based on fundamentals, with technical analysis used to assist in buy/sell decisions.

The parent is Clean Yield Group Inc.

Benjamin Lovell is chief investment officer and client contact.

CMB Investment Counselors

1880 Century Park East, Suite 600,
Los Angeles, Calif. 90067; (213)
557-1500

Total assets managed	$2,183,000,000
Tax-exempt assets managed:	
Total	$1,206,000,000
Pooled accounts	$8,000,000
Separate accounts	$1,198,000,000
Mortgage-backed assets	$99,000,000
Minimum separate equity account	$10,000,000
Tax-exempt clients:	
Separate	15
Types of accounts managed	CEFGJ
No. of portfolio managers	5
Size of research staff	3

CMB Investment Counselors is an active equity, active fixed-income and balanced manager. It also manages mortgage pass-throughs.

Its primary equity approach is growth stock and value based. The firm seeks good relative value among stocks with strong sales and earnings momentum across five analytical categories: major growth; developing growth; credit cyclical; cyclical value; and asset value.

Its fixed-income approach is value oriented, using sector analysis to find broad areas of undervaluation among government, corporate and mortgage pass-through securities.

Options are used.

The asset mix Jan. 1 was 15.4% stocks, 61% bonds, 15.4% cash and 8.2% mortgage-backed securities.

Clients include LA County Employees, Amoco and Sheet Metal Workers.

The parent is First Bank System Inc.

Thomas J. Steffanci, senior managing director, is chief investment officer; Gordon C. Coomans, managing director, is client contact.

Cohen & Steers Capital Management Inc.

757 Third Ave., New York, N.Y. 10017;
(212) 832-3232

Total assets managed	$240,000,000
Tax-exempt assets managed:	
Total	$85,000,000
Separate accounts	$85,000,000
Minimum separate account	$10,000,000
Tax-exempt clients	3
Types of accounts managed	CEJ
No. of portfolio managers	3
Size of research staff	1

Cohen & Steers Capital Management Inc. is a real estate secu manager, buying real estate securities for a premium yield and assets at a discount.

All assets were in real estate securities Jan. 1.

The firm follows 75 stocks closely and 240, generally; 75% of research is generated internally.

Martin Cohen is chief investment officer and client contact.

Coldwell Banker Capital Management Services

533 Fremont Ave., Los Angeles, Calif.
90071; (213) 613-3491

Total assets managed	$994,000,000
Tax-exempt assets managed	$994,000,000
Real estate equity assets	$835,000,000
Mortgage assets	$46,000,000
Minimum separate account	$15,000,000
Tax-exempt clients	41
Types of accounts managed	CEFG

Coldwell Banker Capital Management Services, a real estate manager, maximizes asset values through aggressive management and timely disposition.

Target properties are $5 million to $25 million office, industrial and retail sites.

The asset mix Jan. 1 was 90% equity real estate, 5% mortgages and 5% cash.

Coldwell Banker Capital was separated from Sears, Roebuck & Co. in April.

Clients include AT&T, Honeywell and Hughes Aircraft.

Tad W. Jones, president, is chief investment officer; Robert W. Morris, first vice president, is client contact.

Collins Associates

840 Newport Center Drive, Suite 660,
Newport Beach, Calif. 92660; (714)
644-5771

Total assets managed	$40,000,000,000
Assigned to other firms	$40,000,000,000
No. of portfolio managers	3
Size of research staff	5

Collins Associates, a manager of managers, has $40 billion in total assets under management on its behalf by external managers.

It controls about $8 billion in 13 advisory accounts and $150 million in seven discretionary accounts for corporate, educational endowment and foundation clients.

The accounts cover equity, fixed-income, balanced, international, real estate and GIC management. Options, stock-index futures and fixed-income futures are used.

The firm follows 250 investment managers closely and 400, generally. All research is generated internally.

U.S. tax-exempt clients include Xerox, Atlantic Richfield, Sunkist Growers and the University of Texas.

Budge Collins, president, is chief investment officer and client contact.

Colorado Capital Advisors

950 17th St., Suite 2450, Denver,
Colo. 80202; (303) 892-4235

Total assets managed	$951,000,000
Tax-exempt assets managed:	
Total	$436,000,000
Pooled accounts	$311,000,000
Separate accounts	$125,000,000
Dedicated/immunized assets	$15,000,000
Minimum separate account	$2,000,000
Tax-exempt clients:	
Pooled	1,763
Separate	20
Types of accounts managed	CEFGJ
No. of portfolio managers	9

Colorado Capital Advisors is an active equity, active fixed-income and balanced manager.

Its primary equity approach is yield- and value-oriented, using Graham & Dodd analysis.

Its primary fixed-income approach is based on sector analysis. It does a historical spread analysis to swap from rich to cheap sectors.

The asset mix Jan. 1 was 45% stocks, 45% bonds and 10% cash.

The parent is Colorado National Bank of Denver.

Clients include Colorado State University, Shriners Hospital and AMAX.

Robert J. Alder, president, is chief investment officer; Coleman R. Robinson, vice president, is client contact.

Columbia Management Co.

1300 S.W. Sixth Ave., P.O. Box 1350,
Portland, Ore. 97207; (503)
222-3600

Total assets managed	$5,757,000,000
Tax-exempt assets managed:	
Total	$4,723,000,000
Pooled accounts	$558,000,000
Separate accounts	$4,165,000,000
401(k)/457 assets managed	$194,000,000
No. of 401(k)/457 plans	101
Mortgage-backed assets	$468,000,000
Dedicated/immunized assets	$110,000,000
Minimum separate account	$20,000,000
Tax-exempt clients	
Pooled	325
Separate	70
Types of accounts managed	CEFGJ
No. of portfolio managers	11

Columbia Management Co. is an active equity, active fixed-income, balanced and GIC manager.

Its primary top-down equity approach is value oriented and uses sector rotation.

Its primary fixed-income approach uses sector analysis to maximize return while avoiding credit risk and price volatility. Portfolio structures emphasize yield advantage vs. major indexes and active management.

The asset mix Jan. 1 was 57% stocks, 24% bonds, 9% cash and 10% mortgage-backed securities.

Clients include Oregon, Bechtel Power and R.K. Mellon Foundation.

James K. Rippey, president, is chief investment officer; Chad L. Fleischman, vice president, is client contact.

Columbus Bank & Trust Co.

P.O. Box 120, Columbus, Ga. 31902;
(404) 649-2433

Total assets managed	$468,000,000
Tax-exempt assets managed	
Total	$165,000,000
Commingled accounts	$54,000,000
Separate accounts	$111,000,000
Mortgage assets	$8,000,000
Mortgage-backed assets	$8,000,000
Minimum separate account	$1,000,000
Tax-exempt clients	
Commingled	188
Separate	15
Types of accounts managed	CEFG
No. of portfolio managers	3
Size of research staff	1

Columbus Bank & Trust Co. is an active equity, active fixed-income and balanced manager.

Its primary equity approach is value oriented and stresses equities with strong earnings potential, high free cash flow and low relative p/es.

Its primary fixed-income approach is implemented within a conservative framework using maturities up to 10 years and using interest rate anticipation, sector analysis and yield curve analysis.

Options and fixed-income futures are used.

The asset mix Jan. 1 was 30% stocks, 45% bonds, 15% cash, 5% mortgages and 5% mortgage-backed securities.

The parent is CB&T Bancshares.

Danny Hobbs is chief investment officer; Joseph Lowery is client contact.

Columbus Circle Investors

Metro Center, 1 Station Place,
Stamford, Conn. 06902; (203)
353-6000

Total assets managed	$3,272,000,000
Tax-exempt assets managed:	
Total	$1,536,000,000
Pooled accounts	$99,000,000
Separate accounts	$1,437,000,000
Mortgage assets	$8,000,000
International fixed-income assets	$20,000,000
Minimum separate equity account	$10,000,000
Tax-exempt clients:	
Pooled	5
Separate	69
Types of accounts managed	CEFGJ
No. of portfolio managers	6
Size of research staff	5

Columbus Circle Investors is an active equity, active fixed-income and balanced manager. It also provides a hedging, asset protection product.

Its primary equity approach uses growth stocks and sector rotation. It seeks companies whose essential story elements are exceeding expectations and demonstrating positive momentum and surprise.

Its primary fixed-income approach uses interest rate anticipation and sector analysis, focusing on factors affecting maturity and quality.

Options are used.

The asset mix Jan. 1 was 88% stocks and 12% bonds.

The parent is Thomson McKinnon Asset Management L.P.

Clients include Blue Cross/Blue Shield of Michigan, Westinghouse Electric, New York State Teamsters and Wickes Cos.

Irwin F. Smith, chairman, is chief investment officer; Robert W. Fehrman and Winthrop S. Headley, vice presidents, are client contacts.

Comerica Bank-Detroit

211 W. Fort, Detroit, Mich.
48275-1034; (313) 222-5056

Total assets managed	$5,473,000,000
Tax-exempt assets managed:	
Total	$1,964,000,000
Commingled accounts	$650,000,000
Separate accounts	$1,314,000,000
401(k)/457 assets managed	$190,000,000
No. of 401(k)/457 plans	200
International equity assets	$56,000,000
Equity indexed assets	$23,000,000
Dedicated/immunized assets	$50,000,000
Minimum separate account	$1,000,000
Tax-exempt clients:	
Commingled	935
Separate	200
Types of accounts managed	CEFGJ
No. of portfolio managers	22
Size of research staff	10

Comerica Bank-Detroit is an active and passive equity, active fixed-income, balanced, active international/global equity, short-term and pooled GIC fund manager.

Its primary equity approach is to buy common stocks with above-average earnings growth and profitability. It uses sector analysis in fixed-income investments, buying high-quality, intermediate-term securities. Fixed-income futures are used.

The asset mix Jan. 1 was 30% stocks, 55% bonds and 15% cash.

Manown Kisor Jr., executive vice president, is chief investment officer; Robert J. Kay, vice president, is client contact.

Commerce Bank of St. Louis

8000 Forsyth, St. Louis, Mo. 63105;
(314) 854-7328

Total assets managed	$800,000,000
Tax-exempt assets managed:	
Total	$297,000,000
Commingled accounts	$45,000,000
Separate accounts	$252,000,000
401(k)/457 assets managed	$13,000,000
No. of 401(k)/457 plans	30
Minimum separate account	$1,000,000
Tax-exempt clients:	
Commingled	85
Separate	135
Types of accounts managed	CEFJG
No. of portfolio managers	6

Commerce Bank of St. Louis is an active and passive equity, active and passive fixed-income, balanced and short-term manager.

Its equity approach emphasizes companies with above average return on equity, earnings and dividend growth; strong financials; and innovative management. These core holdings are combined with stocks representing exceptional opportunities.

Its fixed-income approach is to keep the average maturity at no more than 10 years, with no single maturity being longer than 20 years.

The asset mix Jan. 1 was 45% stocks and 55% bonds.

The parent is Commerce Bancshares.

Ron Gerdel is chief investment officer; Brian D. Fitzpatrick, senior vice president-corporate trust marketing, is client contact.

Commerce Investment Management Inc.

650 NBC Center, Lincoln, Neb. 68508;
(402) 474-4383

Total assets managed	$104,000,000
Tax-exempt assets managed:	
Total	$26,000,000
Separate accounts	$26,000,000
Minimum separate account	$500,000
Tax-exempt clients	9
Types of accounts managed	CFG
No. of portfolio managers	3

Commerce Investment Management Inc. is an active equity, active fixed-income and balanced manager.

Its top-down equity approach emphasizes growth stocks and sector rotation. Its fixed-income approach also is top down, using interest rate anticipation and sector analysis.

Options and fixed-income futures are used.

The asset mix Jan. 1 was 20% bonds and 80% cash.

The parent is Commerce Financial Group Inc.

Robert Jergovic is chief investment officer; Gaylan Abood is client contact.

Commerz International Capital Management GmbH

Kettenhofweg 22, 6000
Frankfurt/Main, West Germany; (69)
71-91-22-0

Total assets managed	$1,500,000,000
Tax-exempt assets managed	$0
Minimum separate account	$10,000,000
No. of portfolio managers	8
Size of research staff	4

Commerz International Capital Management GmbH is an equity, fixed-income and balanced manager. Portfolios are managed on a country, regional, international or global basis.

Its active, top-down equity approach uses country over- or underweightings as well as sector rotation based on relative strength criteria; indexed management is offered.

Its fixed-income approach is based on interest rate anticipation, using a top-down method to allocate funds to individual bond markets and a quantitative approach for maturity selection.

Currency decisions are separate from country allocations.

The parent is Commerzbank AG.

Heinz J. Hockman is chief investment officer; Robert H.O. Hock is client contact.

The Common Fund

P.O. Box 940, 363 Reef Road,
Fairfield, Conn. 06430; (203)
254-1211

The Common Fund is a manager of managers; $7.6 billion is managed on its behalf by external investment managers.

Equity, fixed-income, balanced and international management is offered through external mangers.

Its equity approach employs commingled programs that use multiple investment techniques, including emerging growth, growth and low p/e stocks, Graham & Dodd and quantitative analysis, market timing and country selection.

Fixed-income approaches offered include interest rate anticipation, sector analysis and country selection.

George J. Keane, president, is chief investment officer; David Storrs is client contact.

Composite Research & Management Co.

1000 Second Ave., Suite 2800,
Seattle, Wash. 98104; (206)
461-3800

Total assets managed	$1,124,000,000
Tax-exempt assets managed:	
Total	$137,000,000
Separate accounts	$137,000,000
401(k)/457 assets managed	$35,000,000
No. of 401(k)/457 plans	2
Mortgage-backed assets	$11,000,000
Equity indexed assets	$8,000,000
Minimum separate account	$5,000,000
Tax-exempt clients	33
Types of accounts managed	CEF
No. of portfolio managers	5
Size of research staff	2

Composite Research & Management Co. is an active and passive equity, active fixed-income, balanced and short-term manager.

Its equity approach focuses on intrinsic value, generally confined to low p/e stocks. The bottom-up, fundamental research process looks for companies with net free cash flow, low debt leverage and above-average return on capital. Its fixed-income approach emphasizes sector analysis and credit quality. Intermediate maturities, particularly electric utility and finance issues, are actively managed.

The asset mix Jan. 1 was 33% equities, 55% bonds and 12% cash.

The parent company is Washington Mutual Financial Group.

David A. Anderson is chief investment officer; Kenneth E. Carlson, senior vice president-marketing, is client contact.

Computime Institutional Services Inc.

26 W. Ninth St., New York, N.Y.
10011; (212) 777-9494

Total assets managed	$23,000,000
Tax-exempt assets managed:	
Total	$4,000,000
Separate accounts	$4,000,000
Minimum separate account	$1,000,000
Tax-exempt clients	3
Types of accounts managed	C
No. of portfolio managers	2
Size of research staff	5

Computime Institutional Services Inc., an active equity and tactical asset allocation manager, uses sector rotation. Options and stock index futures are used.

All assets were in equities Jan. 1.

The firm follows all listed stocks.

David M. Levin is chief investment officer and client contact.

Concord Capital Management

2800 Campus Drive, San Mateo, Calif.
94403; (415) 572-0400

Total assets managed	$1,970,000,000
Tax-exempt assets managed:	
Total	$1,970,000,000
Separate accounts	$1,970,000,000
Minimum separate account	$5,000,000
Tax-exempt clients	29
Types of accounts managed	CEFJG
Size of research staff	5

Concord Capital Management, an active equity manager, takes an opportunistic approach, developing themes and identifying groups of stocks believed to be undervalued.

The asset mix Jan. 1 was 98% stocks and 2% cash.

The firm follows 100 stocks closely and 1,000, generally; 75% of research is generated internally.

U.S. tax-exempt clients include Ameritech, State of Virginia, Rockefeller Foundation and Ford Motor.

Harold L. Arbit is president and chief investment officer; Edward D. Matz Jr., senior vice president-marketing, is client contact.

Confederation Life Insurance Co.

P.O. Box 105103, Atlanta, Ga. 30348;
(404) 953-5100

Total assets managed	$12,720,000,000
Total discretionary assets	$7,612,000,000
Tax-exempt assets managed:	
Total	$1,398,000,000
Pooled accounts	$58,000,000
Separate accounts	$5,000,000
GICs	$1,321,000,000
Annuities	$14,000,000
401(k)/457 assets managed	$360,000,000
No. of 401(k)/457 plans	269
Mortgage assets	$1,321,000,000
International equity assets	$3,000,000
International cash assets	$7,000,000
Minimum separate account	$5,000,000
Tax-exempt clients:	
Pooled	299
Separate	1
Types of accounts managed	CG
No. of portfolio managers	20
Size of research staff	24

Confederation Life Insurance Co. is an active equity, active fixed-income, balanced, real estate, active international equity and short-term manager.

Its primary equity approach emphasizes fundamental value and diversification, investing in deeply undervalued securities based on long-term considerations.

Its primary fixed-income approach uses interest rate anticipation to determine duration levels, and trading to enhance returns.

The separate account asset mix Jan. 1 was 57% equities, 29% bonds, 8%

Key to abbreviations

C: Corporate
E: Educational endowment
F: Private foundation
G: U.S. state/local gov't
J: Jointly trusteed
P: Canadian provincial gov't
U: Unions (Canadians only)

cash and 6% international.

The data above also represent Confederation Investment Counseling Ltd. and Confederation Pension Investment Management Ltd. In previous years' profiles, the subsidiaries' assets were not included in the total assets.

J. Clive Curtis, investment vice president-U.S., is chief investment officer; Hubert F. Atkinson, director of pension investments-U.S., is client contact.

Connecticut General Pension Services

Hartford, Conn. 06152; (203)
726-3637

See entry for CIGNA ASSET ADVISERS INC.

dye

Connecticut Mutual Life Insurance Co.

140 Garden St., Hartford, Conn.
06154; (203) 727-6500

Total assets managed	$11,000,000,000
Total discretionary assets	$11,000,000,000
Tax-exempt assets managed:	
Total	$3,140,000,000
Pooled accounts	$81,000,000
GICs	$2,632,000,000
Other	$427,000,000
Minimum separate account	$5,000,000
Tax-exempt clients:	
Pooled	696
Types of accounts managed	CEFG

Connecticut Mutual Life Insurance Co. offers pooled separate accounts invested actively in domestic and international equities and domestic fixed-income securities, as well as tactical asset allocation and short-term portfolios.

The insurer has responsibility for pooled separate accounts, managed by external investment advisers, totaling an additional $230 million.

It establishes exclusive relationships with independent investment managers for these accounts. These managers are Westwood Management, Solomon Asset Management, Brown Brothers Harriman, Consistent Asset Management, TCW Asset Management and State House Capital.

Two equity approaches are offered: active asset allocation and low p/e combined with achieved earnings in excess of expectations.

The hybrid fixed-income style invests in high yields and convertibles.

The asset mix Jan. 1 was 54% stocks and 46% cash.

Connecticut Mutual also offers discretionary and non-discretionary asset allocation services through its CM Asset Advisors subsidiary.

Richard W. Maine, executive vice president, is chief investment officer; Robert K. Dickson Jr., executive vice president, is client contact.

Connecticut National Bank

777 Main St., Hartford, Conn. 06115;
(203) 728-4384

Total assets managed	$6,242,000,000
Tax-exempt assets managed:	
Total	$2,813,000,000
Commingled accounts	$594,000,000
Separate accounts	$2,219,000,000
401(k)/457 assets managed	$400,000,000
No. of 401(k)/457 plans	75
Mortgage assets	$1,000,000
Equity indexed assets	$10,000,000
Minimum separate account	$1,000,000
Types of accounts managed	CEFGJ
No. of portfolio managers	27
Size of research staff	10

Connecticut National Bank is an active and passive equity, active fixed-income, balanced and short-term manager.

Its equity approach seeks value relative to fundamental assessments. Its fixed-income approach is based on maturity shifts.

The asset mix Jan. 1 was 47% stocks, 41% bonds and 12% cash.

The bank follows 225 stocks closely and 325, generally; 40% of research is generated internally.

The parent is Shawmut National Corp.

Rudolph Abel Jr., senior vice president, is chief investment officer; Arnold Boecklin, vice president, is client contact.

Connors Investor Services

1100 Berkshire Blvd., Suite 300,
Wyomissing, Pa. 19610; (215)
376-7418

Total assets managed	$116,000,000
Tax-exempt assets managed:	
Total	$66,000,000
Separate accounts	$66,000,000
401(k)/457 assets managed	$1,000,000
No. of 401(k)/457 plans	2
Minimum separate account	$250,000
Tax-exempt clients	74
Types of accounts managed	CF
No. of portfolio managers	2
Size of research staff	1

Connors Investor Services Inc. is an active and passive equity, passive fixed-income and balanced manager. It also offers covered option writing.

The firm selects stocks for option writing that have below-average downside risk and high current return. It also buys stock in small companies at below-market multiples with above-average earnings growth potential.

Fixed-income securities, primarily high-quality issues with short to medium staggered maturities, are used in many accounts.

The asset mix Jan. 1 was 85% stocks, 5% bonds and 10% cash.

James M. Connors, president, is chief investment officer; Ronald H. Seher, vice president, is client contact.

Consistent Asset Management Co.

1330 King St., Wilmington, Del. 19801;
(302) 651-9400

Total assets managed	$600,000,000
Tax-exempt assets managed:	
Total	$600,000,000
Pooled accounts	$100,000,000
Separate accounts	$500,000,000
Minimum separate account	$10,000,000
Tax-exempt clients:	
Pooled	2
Separate	38
Types of accounts managed	CEFJG
No. of portfolio managers	3

Consistent Asset Management Co., an active, quantitative fixed-income manager, uses mathematical analysis to allocate portfolios between U.S. Treasury issues and cash. It is trend-recognition oriented, but does not use forecasting. Options and fixed-income futures are used.

The asset mix Jan. 1 was 100% bonds.

U.S. tax-exempt clients include Bank of Delaware, Virginia Power, Connecticut Mutual Life and Teamsters Local 701.

Daryl L. Hudson, chairman, is chief investment officer; David W. Umbs, president, is client contact.

Constitution Capital Management Co.

Exchange Place, 53 State St., Boston,
Mass. 02109; (617) 722-4800

Total assets managed	$3,378,000,000
Tax-exempt assets managed:	
Total	$2,736,000,000
Pooled accounts	$1,034,000,000
Separate accounts	$1,702,000,000
401(k)/457 assets managed	$70,000,000
Minimum separate account	$5,000,000
Tax-exempt clients:	
Separate	176
Types of accounts managed	CEFJG
No. of portfolio managers	17
Size of research staff	2

Constitution Capital Management Co. is an active equity, active fixed-income, balanced and short-term manager.

Its primary equity approach employs quantitative valuation through a three-step process: 1) equities are ranked by computer models focusing on fundamental factors; 2) attractively ranked securities are screened by professionals to avoid risk; 3) buy/sell decisions are executed uniformly.

The firm's fixed-income management adds value through sector switches and issue selection. Portfolio durations are similar to that of the Shearson Lehman Hutton Government/Corporate index.

The asset mix Jan. 1 was 41% stocks, 39% bonds and 20% cash.

The parent is Bank of New England Corp.

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FPB-180

U.S. tax-exempt clients include Smith & Wesson, City of Boston and NUS.

John G. Anderson, president and chief executive officer, is chief investment officer; Harry Sterling, senior vice president and managing director, is client contact.

Continental Capital Management Corp.

111 W. Jackson Blvd., Suite 1305,
Chicago, Ill. 60697; (312) 828-7007

Total assets managed	$1,715,000,000
Tax-exempt assets managed:	
Total	$1,715,000,000
Commingled accounts	$230,000,000
Separate accounts	$1,485,000,000
Mortgage-backed assets	$21,000,000
Minimum separate account	$5,000,000
Tax-exempt clients:	
Commingled	1
Separate	56
Types of accounts managed	CEFGJ
No. of portfolio managers	4

Continental Capital Management Corp. is an active equity, active fixed-income, balanced, tactical asset allocation and convertibles manager.

Its equity approach is value-oriented with a yield hurdle. Low p/e is emphasized.

Its fixed-income approach is based on sector analysis. Investments are designed to provide positive real returns over time while reducing return volatility. Interest rate risk is carefully managed while seeking opportunities to add incremental return.

The asset mix Jan. 1 was 30% stocks, 60% bonds and 10% cash.

The firm follows 100 stocks closely and 300, generally; 50% of research is generated internally.

The parent is Continental Bank Corp.

U.S. tax-exempt clients include Shelby Williams, Coe College, Pipefitters and Cook County.

Raymond Wicklander Jr., managing director, is client contact.

Continental Assurance Co.

CNA Plaza, Chicago, Ill. 60685; (312)
822-5000

Total assets managed	$7,900,000,000
Total discretionary assets	$4,562,000,000
Tax-exempt assets managed:	
Total	$4,562,000,000
Pooled accounts	$232,000,000
GICs	$2,700,000,000
Annuities	$328,000,000
Other	$1,302,000,000
401(k)/457 assets managed	$1,755,000,000
Mortgage-backed assets	$466,000,000
Types of accounts managed	CEFJG
No. of portfolio managers	4
Size of research staff	6

Continental Assurance Co. is primarily a GIC manager.

Its equity approach focuses on long-term growth emphasizing security of principal. Its fixed-income approach is passive and uses interest rate anticipation and sector analysis, buying and holding bonds while immunizing a portion of the portfolio.

Options, stock index futures and fixed-income futures are used.

The insurer follows 40 stocks closely; all research is generated internally.

Its U.S. tax-exempt clients include K mart, Chevron, Firestone and Marriott.

The parent is CNA Insurance.

Don Rycroft, treasurer, is chief investment officer; Ralph Vuono, assistant vice president and national sales director, is client contact at (212) 306-8637.

Contravisory Investment Management Corp.

37 Derby St., Hingham, Mass. 02043;
(617) 740-1786

Total assets managed	$10,000,000
Tax-exempt assets managed:	
Total	$5,000,000
Pooled accounts	$4,000,000
Separate accounts	$1,000,000
Minimum separate account	$300,000
Tax-exempt clients:	
Pooled	8
Separate	3
Types of accounts managed	CF
No. of portfolio managers	2
Size of research staff	1

Contravisory Investment Management Corp. is an active equity and active fixed-income manager.

Its equity approach relies upon a quantitative discipline that identifies changes in the long-term relative price trends of stocks, industry groups and sectors of the market. Its fixed-income approach uses interest rate anticipation. Options are used.

The asset mix Jan. 1 was 53% equity, 35% bonds and 12% cash.

G. Edward Noonan is chief investment officer and client contact.

Cooke & Bieler Inc.

1700 Market St., Suite 3222,
Philadelphia, Pa. 19103; (215)
567-1101

Total assets managed	$2,720,000,000
Tax-exempt assets managed:	
Total	$2,279,000,000
Separate accounts	$2,279,000,000
401(k)/457 assets managed	$56,000,000
No. of 401(k)/457 plans	4
Minimum separate account	$25,000,000
Tax-exempt clients	88
Types of accounts managed	CEFG
No. of portfolio managers	9

Cooke & Bieler Inc. is an active equity, active fixed-income, balanced and short-term manager.

Its equity approach stresses low-risk growth. Portfolios are structured with higher-than-market yields and return on equity, lower-than-market betas and strong balance sheets.

Its fixed-income approach uses interest rate anticipation, with emphasis on credit analysis and a structured maturity schedule.

The asset mix Jan. 1 was 77% equities, 11% bonds and 12% cash.

U.S. tax-exempt clients include Hercules, Columbia Gas, Southern Ohio Ironworkers and Wisconsin Electric.

The firm follows 70 stocks closely and 250, generally; 80% of the research is generated internally.

The parent is United Asset Management Corp.

Robert T. Brooks is client contact.

Copley Real Estate Advisors

399 Boylston St., Boston, Mass.
02116; (617) 578-1220

Total assets managed	$13,190,000,000
Tax-exempt assets managed:	
Total	$8,931,000,000
Pooled accounts	$4,307,000,000
Separate accounts	$4,624,000,000
Equity real estate assets	$8,931,000,000
Minimum separate account	$100,000,000
Tax-exempt clients:	
Pooled	225
Separate	5
Types of accounts managed	CEFG
No. of portfolio managers	14

Copley Real Estate Advisors, a real estate manager, emphasizes a developmental approach. The investments are structured as partnerships with local real estate developers in selected markets. The firm also makes opportunistic investments, using a contrarian philosophy.

As of Jan. 1, all assets were in equity real estate.

The parent is The New England.

U.S. tax-exempt clients include Washington State Investment Board, Bell Atlantic, Ohio Teachers and AT&T.

Joseph W. O'Connor, president and chief executive officer, is chief investment officer; John C. Phillips Jr., manager director-institutional investor relations, is client contact.

Corbyn Associates Inc.

Suite 330, The Quadrangle, Village of
Cross Keys, Baltimore, Md.
21210-1887; (301) 532-8600

Total assets managed	$150,000,000
Tax-exempt assets managed:	
Total	$101,000,000
Separate accounts	$101,000,000
401(k)/457 assets managed	$1,000,000
No. of 401(k)/457 plans	1
Minimum separate account	$100,000
Tax-exempt clients	120
Types of accounts managed	CEFJ
No. of portfolio managers	2
Size of research staff	2

Corbyn Associates Inc. is a balanced manager.

Its primary equity approach is value-oriented with a foundation of modified contrary opinion. The low p/e emphasis is on the inefficient sector and special situations. The fixed-income philosophy is conservative, stressing interest rate anticipation. There is heavy use of short-term U.S. government securities, interspersed with convertibles and an occasional AAA corporate bond.

The asset mix Jan. 1 was 45% equities, 30% bonds and 25% cash.

Daniel R. Long III, president, is chief investment officer; Richard Hynson Jr., managing director, is client contact.

CoreStates Investment Advisers

Broad and Chestnut Streets,
Philadelphia, Pa. 19101-7618; (215)
973-8661

Total assets managed	$4,075,000,000
Tax-exempt assets managed:	
Total	$1,150,000,000
Pooled accounts	$600,000,000
Separate accounts	$550,000,000
401(k)/457 assets managed	$250,000,000
No. of 401(k)/457 plans	40
Mortgage-backed assets	$3,000,000
Minimum separate account	$3,000,000
Tax-exempt clients:	
Pooled	115
Separate	20
Types of accounts managed	CEFGJ
No. of portfolio managers	15

CoreStates Investment Advisors is an active equity, active fixed-income, balanced, tactical asset allocation, active international equity, and active and passive international fixed-income manager.

Its primary equity approach is growth-oriented, actively managing portfolios of companies with above-average growth potential combined with quality financial characteristics.

Its fixed-income approach uses interest rate anticipation and sector analysis, using only high-grade securities.

The asset mix Jan. 1 was 44% equities, 41% bonds, and 15% cash.

The parent is CoreStates Financial Corp.

Paul G. Finegan, executive vice president, is chief investment officer; John A. Ferro, vice president and manager-institutional sales, is client contact.

Corporate Investment Associates Inc.

P.O. Box 7500, Station A, Toronto,
Ontario M5W 1P9; (416) 864-6144

Total assets managed	$4,818,000,000
Tax-exempt assets managed:	
Total	$4,082,000,000
Pooled accounts	$1,839,000,000
Separate accounts	$2,243,000,000
For subsidiaries of U.S. firms	$632,000,000
Equity real estate assets	$88,000,000
Mortgage assets	$266,000,000
Non-North American equities	$31,000,000
Equity indexed assets	$57,000,000
Dedicated/immunized assets	$232,000,000
Minimum separate equity account	$4,200,000
Tax-exempt clients:	
Pooled	28
Separate	80
U.S. subsidiaries	18
Types of accounts managed	CEFGU
No. of portfolio managers	13
Size of research staff	4

Corporate Investment Associates Inc., a Canadian firm, is an active and passive equity, active and passive fixed-income, balanced, tactical asset allocation, real estate, active international equity, short-term and mortgage manager.

Its equity approach is sector rotational and value-oriented. Sector weightings are based on the capital markets outlook with stocks chosen for strong fundamental value.

For fixed-income, about half of the portfolios represent a diversified core reflecting a long-term outlook; the balance reflects the three-month cyclical outlook.

In real estate, the firm concentrates on locations within the economic influence of major metropolitan areas with diversified economies. The firm is increasingly using development as a means of obtaining good quality and long-term investment projects.

The asset mix Jan. 1 was 26% Canadian stocks, 4% U.S. stocks, 46% bonds, 10% cash, 2% equity real estate, 9% mortgages and 3% offshore assets.

The parent is Royal Trustco Ltd.

Stephen J. Donihee, president, is chief investment officer and client contact.

Corporate Property Investors

305 E. 47th St., New York, N.Y.
10017; (212) 421-8200

Total assets managed	$4,300,000,000
Tax-exempt assets managed:	
Total	$2,650,000,000
Pooled accounts	$2,650,000,000
Equity real estate assets	$2,500,000,000
Mortgage assets	$150,000,000
Tax-exempt clients	32
Types of accounts managed	CEFG

Corporate Property Investors, an equity-oriented real estate investment trust, concentrates its portfolio in 28 regional shopping centers and two office buildings.

The asset mix Jan. 1 was 95% equity real estate and 5% mortgages.

U.S. tax-exempt clients include AT&T, Exxon, Ford Foundation and Yale.

Hans C. Mautner, chairman and president, is chief executive officer; William J. Lyons, assistant general counsel, is client contact.

Coughlin Asset Management Group

621 17th St., Suite 1900; Denver,
Colo. 80202; (800) 233-5133

Total assets managed	$35,000,000
Tax-exempt assets managed:	
Total	$12,000,000
Separate accounts	$12,000,000
401(k)/457 assets managed	$2,000,000
No. of 401(k)/457 plans	20
Mortgage-backed assets	$500,000
Minimum separate account	$500,000
Tax-exempt clients	9
Types of accounts managed	CG
No. of portfolio managers	3
Size of research staff	2

Coughlin Asset Management Group is an active equity, active fixed-income, balanced, tactical asset allocation and short-term manager.

Its equity approach is quantitative, concentrating on growth and emerging growth stocks. Its fixed-income approach is keyed to interest rate anticipation and sector analysis.

The asset mix Jan. 1 was 13% stocks, 62% bonds, 20% cash and 5% mortgage-backed securities. An additional $1.6 million in equity accounts is managed on the firm's behalf by external managers.

Michael J. Urbana, director, is chief investment officer; Mary Ellisberg, vice president, is client contact.

County NatWest Investment Management Ltd.

Fenchurch Exchange, 43/44 Crutched
Friars, London EC3N 2NX, U.K.;
01-374-3199

Total assets managed	$16,553,000,000
Tax-exempt assets managed:	
Total	$80,000,000
Separate accounts	$80,000,000
International equity assets	$43,000,000
International cash assets	$810,000
Minimum separate equity account	$15,000,000
Tax-exempt clients	2
Types of accounts managed	C
No. of portfolio managers	54
Size of research staff	23

County NatWest Investment Management Ltd. is an active international/global equity and fixed-income, and active/passive global balanced manager.

For equities, the international diversification program emphasizes active market allocation through passive stock selection using its market representative index funds. Quantitative techniques are used. The fixed-income approach is top-down with emphasis on active market allocation, emphasizing interest rate anticipation, yield curve analysis, currency allocation and high-quality instruments. Options and stock index futures are used.

The asset mix Jan. 1 was 84% stocks, 14% bonds and 2% cash.

The parent is NatWest Investment Bank.

Christine Downton, chief executive, is chief investment officer; Margaret Waller, senior vice president-marketing, is client contact in New York and Geoffrey Osmint, director-marketing, is client contact in London.

Courier Capital Corp.

976 Delaware Ave., Buffalo, N.Y.
14209; (716) 883-9595

Total assets managed	$350,000,000
Tax-exempt assets managed:	
Total	$220,000,000
Separate accounts	$220,000,000
401(k)/457 assets managed	$2,000,000
No. of 401(k)/457 plans	1
Minimum separate account	$500,000
Tax-exempt clients	85
Types of accounts managed	CEFJ
No. of portfolio managers	5
Size of research staff	3

Courier Capital Corp. is an active equity, active fixed-income and balanced manager.

Its equity approach is value-oriented, using emerging growth and low p/e stocks and market timing. It focuses on companies that are likely beneficiaries of existing economic trends and are statistically undervalued relative to earnings or assets.

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Its fixed-income approach is based on interest rate anticipation.

The asset mix Jan. 1 was 40% equities, 40% bonds and 20% cash.

Francis G. Leonard is chief investment officer and client contact.

Cowen Asset Management

Financial Square, New York, N.Y.
10028; (212) 495-6652

Total assets managed	$224,000,000
Tax-exempt assets managed	
Total	$123,000,000
Separate accounts	$123,000,000
Minimum separate account	$500,000
Tax-exempt clients	167
Types of accounts managed	CEFGJ
No. portfolio managers	3
Size of research staff	2

Cowen Asset Management is an active equity and balanced manager.

Its equity approach seeks companies with above-market yields, prospects of future dividend growth and balance sheet strength. Its valuation approach focuses on undervalued assets, cash flow and earnings momentum. Its fixed-income approach is passive, emphasizing preservation of capital. Staggered maturities and short duration neutralize interest rate impact.

The asset mix Jan. 1 was 90% equities, 5% bonds and 5% cash.

The parent is Cowen & Co.

William Church is chief investment officer; Corinne Ehrlich, vice president, is client contact.

The Crabbe-Huson Co.

121 S.W. Morrison, Suite 1400,
Portland, Ore. 97204; (503)
295-0111

Total assets managed	$382,000,000
Tax-exempt assets managed	
Total	$301,000,000
Pooled accounts	$78,000,000
Separate accounts	$223,000,000
Minimum separate account	$5,000,000
Tax-exempt clients	
Pooled	4
Separate	24
Types of accounts managed	CEFJG
No. of portfolio managers	3
Size of research staff	4

The Crabbe-Huson Co. is an active equity, active fixed-income, balanced and short-term manager.

Its equity approach is price-driven, value-oriented and risk averse. Investments are concentrated in out-of-favor large-cap stocks bought at substantial discounts with an identifiable catalyst for price advance. For fixed-income, the firm seeks to identify turning points in interest rates to add value through duration shifts.

The asset mix Jan. 1 was 50% stocks, 30% bonds and 20% cash.

The parent is Pacific Northwest Capital Group.

James E. Crabbe, principal, is chief investment officer. The client contact is James C. Vogelzang, Vogelzang & Associates Inc., 600 17th St., Suite 2325S, Denver, Colo. 80202; (303) 629-1900.

Cramblit & Carney Inc.

523 W. Sixth St., Suite 1134, Los
Angeles, Calif. 90014; (213)
680-0562

Total assets managed	$759,000,000
Tax-exempt assets managed	
Total	$603,000,000
Separate accounts	$603,000,000
Minimum separate account	$5,000,000
Tax-exempt clients	44
Types of accounts managed	CEFJ
No. of portfolio managers	5

Cramblit & Carney Inc. is an active equity, balanced and short-term manager.

Its equity approach is based on growth and low p/e stock strategies. Its fixed-income approach uses sector analysis.

The asset mix Jan. 1 was 40% stocks, 50% bonds and 10% cash.

The firm follows 100 stocks closely and 300, generally; 25% of research is generated internally.

Richard P. Carney, president, is chief investment officer; Barry T. Seymour, vice president, is client contact.

The best corporate treasury departments: June 12.

Cramer Rosenthal McGlynn

520 Madison Ave., New York, N.Y.
10022; (212) 838-3830

Total assets managed	$335,000,000
Tax-exempt assets managed	
Total	$123,000,000
Separate accounts	$123,000,000
Minimum separate account	$3,000,000
Tax-exempt clients	20
Types of accounts managed	CEF
No. of portfolio managers	3
Size of research staff	3

Cramer Rosenthal McGlynn Inc. is an active equity, balanced and special investments manager.

Its equity approach uses sector rotation and Graham & Dodd analysis on emerging growth and low p/e stocks.

For balanced accounts, its fixed-income approach uses interest rate anticipation with emphasis on short-term U.S. government obligations.

Options and stock index futures are used.

The asset mix Jan. 1 was 70% stocks, 19% bonds and 11% cash.

Gerald Cramer is chief investment officer; Ernest A. Remig, marketing representative, is client contact.

Crawford Investment Counsel Inc.

100 Galleria Parkway N.W., Suite 980,
Atlanta, Ga. 30339; (404) 859-0045

Total assets managed	$230,000,000
Tax-exempt assets managed	
Total	$190,000,000
Separate accounts	$190,000,000
Minimum separate account	$5,000,000
Tax-exempt clients	19
Types of accounts managed	CEFG
No. of portfolio managers	1
Size of research staff	1

Crawford Investment Counsel Inc., an active equity and balanced manager, focuses on a dividend growth style. Portfolios have an above-average current yield and an above-average dividend growth rate, which results in downside protection and low volatility.

U.S. tax-exempt clients include Evaluation Associates.

John H. Crawford, president, is chief investment officer; Sarah Jane Ross is client contact.

Creditanstalt

245 Park Ave., New York, N.Y. 10167;
(212) 856-1000

Total assets managed	$116,000,000
Tax-exempt assets managed	
Total	$15,000,000
Separate accounts	$15,000,000
Fixed-income indexed assets	$15,000,000
Tax-exempt clients	1
Types of accounts managed	C
No. of portfolio managers	2

Creditanstalt, a fixed-income manager, employs a passive approach using interest rate anticipation. The firm specializes in indexed and actively managed U.S. Treasury securities portfolios. Options and fixed-income futures are used.

The U.S. tax-exempt client is Texaco.

The parent is Creditanstalt Bankverein.

Timothy Knowlton, vice president, is chief investment officer; Alois S. Jurcik, vice president, is client contact.

Credit Suisse Asset Management

280 Park Ave., 27th Floor, New York,
N.Y. 10017; (212) 557-0510

Total assets managed	$125,000,000
Tax-exempt assets managed:	
Total	$100,000,000
Separate accounts	$100,000,000
International equity assets	$86,000,000
International cash assets	$14,000,000
Minimum separate account	$5,000,000
Tax-exempt clients	9
Types of accounts managed	CF
No. of portfolio managers	3
Size of research staff	6

Credit Suisse Asset Management is an active international/global equity manager.

Its growth stock approach incorporates an actively managed, three-tiered, bottom-up/top-down investment

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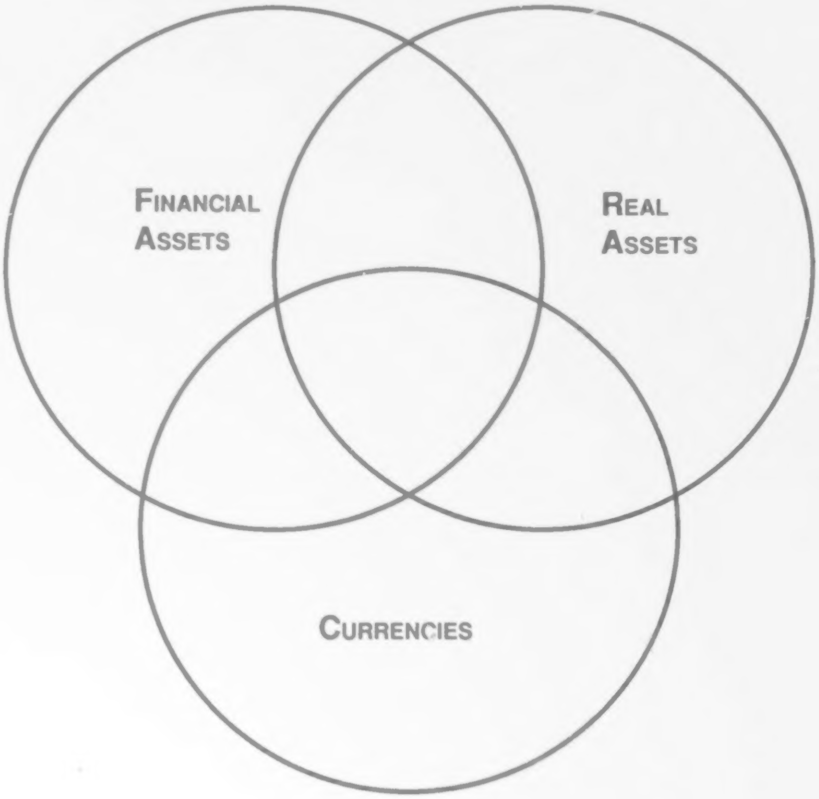

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process that examines companies, worldwide investment themes and country/currency allocations.

The asset mix Jan. 1 was 86% stocks and 14% cash.

The parent is Credit Suisse.

Gordon L. Bowyer is president and chief investment officer; Richard R. Smith, vice president, is client contact.

Crestar Financial Corp.

919 E. Main St., Richmond, Va.
23219; (804) 782-7405

Total assets managed	$2,477,000,000
Tax-exempt assets managed	
Total	$116,000,000
Commingled accounts	$20,000,000
Separate accounts	$96,000,000
Minimum separate account	$750,000
Tax-exempt clients	
Commingled	25
Separate	80
Types of accounts managed	CJG
No. of portfolio managers	1

Crestar Financial Corp. is an active and passive equity, active fixed-income, balanced, real estate and short-term manager.

Its equity approach uses sector rotation, purchasing undervalued securities in sectors that should benefit from anticipated economic cycles. Its fixed-income approach uses high-quality bonds and varies maturity according to interest rate projections. Real estate investments are made through an open-end commingled fund.

The bank is adopting a manager-of-managers approach to collective funds management, and will offer 14 funds.

The asset mix Jan. 1 was 45% equity, 40% bonds and 15% cash.

David A. Halloran, investment officer, is chief investment officer; Gordon R. Boardway, vice president, is client contact.

Criterion Investment Management Co.

1000 Louisiana St., Houston, Texas
77002; (713) 751-2407

Total assets managed	$7,933,000,000
Tax-exempt assets managed:	
Total	$7,887,000,000
Separate accounts	$7,887,000,000
Minimum separate account	$10,000,000
Tax-exempt clients	113
Types of accounts managed	CEFJG
No. of portfolio managers	15
Size of research staff	12

Criterion Investment Management Co. is an active equity, active fixed-income, balanced, short-term and venture capital manager.

Its equity approach focuses on determining the relative attractiveness of stock vs. cash equivalents and has a growth/earnings momentum bias with major sectors/themes that are perceived to be the most attractive.

Its fixed-income approach focuses on interest rate anticipation and sector shifts and uses a proprietary computerized system to evaluate and monitor the risk/reward relationship of individual bonds and bond portfolios.

Options, stock index futures and fixed-income futures are used.

In addition to the assets above, $2.2 billion is managed by an affiliate, Criterion Funds.

The parent is the Criterion Group.

U.S. tax-exempt clients include Arizona, Continental Airlines, Nevada and Shell Oil.

Charles Miller, president, chairman and chief executive officer, is chief investment officer; John R. Pipkin, managing director-marketing and client services, is client contact.

Crown Life Insurance Co. — U.S. Pensions

201 N. Union St., Alexandria, Va.
22314; (703) 684-4100

Total assets managed	$7,563,000,000
Total discretionary assets	$6,670,000,000
Tax-exempt assets managed:	
Total	$2,348,000,000
Pooled accounts	$38,000,000
GICs	$2,179,000,000
Other	$131,000,000
401(k)/457 assets managed	$99,000,000
Equity real estate assets	$68,000,000
Mortgage assets	$1,426,000,000
Mortgage-backed assets	$33,000,000
Dedicated/immunized assets	$780,000,000
Tax-exempt clients:	
Pooled	10
Types of accounts managed	C
No. of portfolio managers	3

Crown Life Insurance Co. — U.S. Pensions is an active equity, active fixed-income, short-term and managed GIC manager.

Its equity approach uses Graham & Dodd analysis and low p/e stocks. Its fixed-income approach uses interest rate anticipation and sector analysis.

Fixed-income futures are used.

The parent company is CrownX.

A.G. Wirth, senior vice president-investments, is chief investment officer; John Mullis, assistant vice president and director of sales, is client contact.

C-S Capital Advisors Inc.

8150 Corporate Park Drive, Suite 224,
Cincinnati, Ohio 45242; (513)
489-5556

Total assets managed	$210,000,000
Tax-exempt assets managed:	
Total	$210,000,000
Separate accounts	$210,000,000
Minimum separate account	$20,000,000
Tax-exempt clients	7
Types of accounts managed	CEFG
No. of portfolio managers	4

C-S Capital Advisors Inc. is an active equity and short-term manager.

Its primary equity approach is based on a long-term, pre-determined discipline that stresses value in out-of-favor stocks and (by client request) uses an active options writing program to enforce a sell discipline.

The asset mix Jan. 1 was 84% stocks and 16% cash.

Clifford Stahl, president, is chief investment officer; Paul G. Chenault, chairman and chief executive officer, is client contact.

C&S Investment Advisors

P.O. Box 4114, Atlanta, Ga. 30302;
(404) 897-3306

Total assets managed	$3,319,000,000
Tax-exempt assets managed:	
Total	$2,033,000,000
Separate accounts	$2,033,000,000
Mortgage assets	$4,000,000
Mortgage-backed assets	$33,000,000
Equity indexed assets	$12,000,000
Minimum separate account	$3,000,000
Tax-exempt clients	48
Types of accounts managed	CEFG
No. of portfolio managers	13
Size of research staff	6

C&S Investment Advisors Inc. is an active and passive equity, active and passive fixed-income, balanced and short-term manager.

Its active equity approach is value-oriented, focusing on low p/e stocks and earnings momentum. Its primary fixed-income approach uses sector and technical analysis.

The asset mix Jan. 1 was 67% equities, 15% bonds, 16% cash and 2% mortgage-backed securities.

The firm follows 250 stocks closely and 1,000, generally; 20% of the research is generated internally.

The parent is Citizens and Southern Corp.

James L. Kermes, president, is chief investment officer; K. David Wheeler, vice president and director of marketing and sales, is client contact.

CT Investment Counsel Inc.

110 Yonge St., Suite 800, Toronto,
Ontario M5C 1T4; (416) 869-5931

Total assets managed	$2,818,000,000
Tax-exempt assets managed:	
Total	$2,066,000,000
Pooled accounts	$372,000,000
Separate accounts	$1,694,000,000
For subsidiaries of U.S. firms	$0
Non-North American equities	$10,000,000
Dedicated/immunized assets	$116,000,000
Minimum separate account	$4,000,000
Tax-exempt clients:	
Pooled	8
Separate	68
Types of accounts managed	CEGU
No. of portfolio managers	7
Size of research staff	5

CT Investment Counsel Inc., a Canadian firm, is an active equity, active fixed-income, balanced and short-term manager.

Its equity approach emphasizes growth and low p/e stocks. Sector rotation and market timing are applied. Its fixed-income approach emphasizes interest rate anticipation with sector/credit trading.

The asset mix Jan. 1 was 35% Canadian stocks, 6% U.S. stocks, 47% bonds, 11% cash and 1% non-North American equities.

It follows 75 stocks closely and 175, generally; 60% of research is generated internally.

The parent is The Canada Trust Co.

John P. Mulvihill, chairman, and Stanley G. Archdekin, president, are chief investment officers; Mr. Archdekin is client contact.

Cumberland Advisors

614 Landis Ave., Vineland, N.J.
08360; (609) 692-6690

Total assets managed	$193,000,000
Tax-exempt assets managed:	
Total	$67,000,000
Separate accounts	$67,000,000
401(k)/457 assets managed	$2,000,000
No. of 401(k)/457 plans	5
Minimum separate equity account	$100,000
Tax-exempt clients	256
Types of accounts managed	CEF
No. of portfolio managers	4
Size of research staff	1

Cumberland Advisors Pty. is an active equity, active fixed-income, balanced and municipal bond manager.

It uses Graham & Dodd analysis on low p/e stocks, together with sector rotation and market timing in its top-down equity approach. Its analysis has a monetarist bias. Options are used.

Its top-down fixed-income approach integrates interest rate anticipation, sector analysis and duration. Municipal bond portfolios may be actively managed.

The asset mix Jan. 1 was 30% stocks, 15% bonds and 55% cash.

David R. Kotok is chief investment officer; Donald Sulam and Suzanne N. Greenberg are client contacts.

John M. Cunningham Inc.

200 Eagle Road, Suite 204, Wayne,
Pa. 19087; (215) 687-5060

Total assets managed	$17,000,000
Tax-exempt assets managed:	
Total	$11,000,000
Separate accounts	$11,000,000
Minimum separate account	$50,000
Tax-exempt clients	36
Types of accounts managed	C
No. of portfolio managers	1

John M. Cunningham Inc. is an active and passive equity, active and passive fixed-income and balanced manager.

Its growth stock equity approach is based on Graham & Dodd principles and is combined with sector rotation, concentrating on industry analysis and buying dividend and earnings growth leaders. The fixed-income approach uses interest rate anticipation, following the market fundamentally and technically.

All research is generated internally.

John M. Cunningham is chief investment officer and client contact.

Curran Capital Management

230 Park Ave., Suite 1245, New York,
N.Y. 10169; (212) 972-0704

Total assets managed	$24,000,000
Tax-exempt assets managed:	
Total	$1,000,000
Separate accounts	$1,000,000
Minimum separate account	$1,000,000
Tax-exempt clients	2
Types of accounts managed	C
No. of portfolio managers	1

Curran Capital Management, an active equity manager, takes a growth stock approach, specializing in health-care companies. Options are used.

The asset mix Jan. 1 was 70% stocks and 30% cash.

The firm follows 30 stocks closely; all research is generated internally.

John P. Curran is chief investment officer and client contact.

Martin Currie Ltd. & Subsidiaries

29 Charlotte Square, Edinburgh, EH2
4HA, U.K. 031-225-3811

Total assets managed	$3,670,000,000
Tax-exempt assets managed	$250,000,000

Martin Currie Ltd. & Subsidiaries, managing a total of $2.16 billion in tax-exempt assets, of which $250 million is for U.S. clients, emphasizes equity and international capabilities.

Its investment approach is essentially long-term. The main emphasis is on country allocation. Emerging growth and growth stocks, sector rotation and value are important, but the approach will differ according to the nature of the particular market in which assets are invested.

U.K. fixed-income securities are used only to fulfill the requirements of endowment clients. Their use is dictated by interest rates and inflation trends.

Assets of three subsidiaries are included in the data above.

- Martin Currie Inc. manages the portfolios of North American clients. It has five clients. Minimum separate account size is $15 million with cash flow, $20 million without. Options are used.

The asset mix Jan. 1 was 93% international equity and 7% international cash.

- Martin Currie Investment Management Ltd. manages all U.K. portfolios, representing $1.91 billion in non-U.S. tax-exempt assets.
- Martin Currie Exempt Unit Trusts Ltd. manages a range of specialist unit trusts (open-end mutual funds), with non-U.S. taxable assets totaling $142 million.

David L. Skinner, managing director, Martin Currie Ltd., is chief investment officer. North American client contacts are Michael Kennedy, president, Martin Currie Inc.; Marianne Hay and Michael Gibson.

Cutler & Co. Inc.

132 W. Main St., Suite 204, Medford,
Ore. 97501; (503) 779-5055

Total assets managed	$541,000,000
Tax-exempt assets managed:	
Total	$496,000,000
Pooled accounts	$5,000,000
Separate accounts	$491,000,000
401(k)/457 assets managed	$14,000,000
No. of 401(k)/457 plans	19
Minimum separate account	$1,000,000
Tax-exempt clients:	
Pooled	1
Separate	366
Types of accounts managed	CEFJG

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No. of portfolio managers	2
Size of research staff	2

Cutler & Co. Inc., an active equity manager, focuses on high-yielding, high-quality portfolios, treating them as bond portfolios. Portfolios are characterized by low p/e, low beta and low market-to-book ratios.

The asset mix Jan. 1 was 98% equity and 2% cash.

The firm follows 92 stocks closely and 107, generally; 95% of the research is generated internally.

U.S. tax-exempt clients include State of Oregon, Kern County Employees, Pennsylvania Teachers and Mapco.

Geoffrey W. Cutler, president, is chief investment officer; Mark S. Patten, executive vice president, is client contact.

D

D.A. Management Inc.
7777 Center Ave., Suite 500,
Huntington Beach, Calif. 92647;
(714) 891-6080

Total assets managed	$107,000,000
Tax-exempt assets managed:	
Total	$107,000,000
Separate accounts	$107,000,000
Equity real estate assets	$80,000,000
Mortgage assets	$7,000,000
Minimum separate account	$10,000,000
Tax-exempt clients	3
Types of accounts managed	G
No. of portfolio managers	4
Size of research staff	1

D.A. Management Inc., a real estate manager, acquires equity and participating loan interests that have the potential of generating operating cash flow and profits through financial structure, property management and personal involvement.

The asset mix Jan. 1 was 75% equity real estate, 6% mortgages and 19% cash.

U.S. tax-exempt clients include Orange County Employees and Alaska Teamsters.

Daniel M. Ardell, president, is chief investment officer and client contact.

Daiwa International Capital Management Corp.
200 Liberty St., 26th Floor, New York,
N.Y. 10281; (212) 945-0099

Total assets managed	$15,682,000,000
Tax-exempt assets managed:	
Total	$515,000,000
Separate accounts	$515,000,000
International equity assets	$491,000,000
International fixed-income assets	$2,000,000
International cash assets	$22,000,000
Minimum separate account	$5,000,000
Tax-exempt clients	8
Types of accounts managed	CG
No. of portfolio managers	58
Size of research staff	11

Daiwa International Capital Management Corp. is an active international/global equity and fixed-income manager.

A research-oriented manager, the firm's stock selection concentrates on assessing the long-term growth potential and the relative value of companies within growth industries worldwide. In addition, the firm and Roll and Ross Asset Management jointly offer a quantitative investment product based on the Arbitrage Pricing Technique.

The asset mix Jan. 1 was 95% equities and 5% cash.

The parent is Daiwa International Capital Management Co. Ltd.

Keisuke Oshima is chief investment officer; Shunsuke Ichijo, Jay Mancus and John Holland, senior vice presidents, are client contacts.

Dana Investment Advisors
330 S. Executive Drive, Suite 301,
Brookfield, Wis. 53005; (414)
782-3631

Total assets managed	$270,000,000
Tax-exempt assets managed:	
Total	$220,000,000
Separate accounts	$220,000,000
401(k)/457 assets managed	$20,000,000
No. of 401(k)/457 plans	5
Mortgage-backed assets	$200,000,000
Dedicated/immunized assets	$10,000,000
Minimum separate account	$2,000,000
Tax-exempt clients	60
Types of accounts managed	CEFGJ
No. of portfolio managers	3

Dana Investment Advisors is an active equity, active fixed-income, balanced, short-term and spread portfolios manager.

In equities, its risk-averse approach emphasizes growth and income stocks. It is value-oriented on a total rate of return basis.

The firm primarily is a fixed-income manager, looking to extract current value and keep interest rate (movement) risk to a minimum; variable-rate government-backed securities are used extensively.

The asset mix Jan. 1 was 10% equities, 10% bonds and 80% mortgage-backed securities.

Michael L. Dana, president, is chief investment officer; Donald J. Moore, senior vice president, is client contact.

John Stewart Darrell & Co.
503 Faulconer Drive, Charlottesville,
Va. 22901; (804) 977-7010

Total assets managed	$81,000,000
Tax-exempt assets managed:	
Total	$30,000,000
Separate accounts	$30,000,000
401(k)/457 assets managed	$1,000,000
No. of 401(k)/457 plans	1
Minimum separate account	$500,000
Tax-exempt clients	26
Types of accounts managed	CEF
No. of portfolio managers	2
Size of research staff	2

John Stewart Darrell & Co. is an active equity, active fixed-income, balanced and short-term manager.

Its equity approach uses low p/e stocks and Graham & Dodd analysis.

Its fixed-income approach uses interest rate anticipation.

The asset mix Jan. 1 was 50% equities, 22% bonds and 28% cash.

Jack Darrell is chief investment officer and client contact.

Dauphin Deposit Bank & Trust Co.
213 Market St., Harrisburg, Pa. 17105;
(717) 255-2254

Total assets managed	$955,000,000
Tax-exempt assets managed:	
Total	$360,000,000
Commingled accounts	$272,000,000
Separate accounts	$88,000,000
401(k)/457 assets managed	$45,000,000
No. of 401(k)/457 plans	8
Minimum separate account	$500,000
Tax-exempt clients:	
Commingled	213
Separate	76
Types of accounts managed	CEFJG
No. of portfolio managers	5
Size of research staff	2

Dauphin Deposit Bank & Trust Co. is an active equity, active fixed-income, balanced and short-term manager.

Its value-oriented equity approach emphasizes both fundamental and technical analysis of business sectors and individual companies using a variety of techniques to determine relative value. Its fixed-income approach uses interest rate anticipation and sector analysis, with an emphasis on quality and liquidity of issues. Maturities are of 10 years or less.

The asset mix Jan. 1 was 26% stocks, 47% bonds and 27% cash.

The parent is Dauphin Deposit Corp.

Robert M. Spicer, senior vice president, is chief investment officer; Andrew W. Wesler, new business officer, is client contact.

Davenport Asset Management
P.O. Box 1377, Richmond, Va. 23211;
(804) 780-2117

Total assets managed	$225,000,000
Tax-exempt assets managed:	
Total	$94,000,000
Separate accounts	$94,000,000
Minimum separate account	$200,000
Tax-exempt clients	58
Types of accounts managed	CEF
No. of portfolio managers	6
Size of research staff	4

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AXE CASTLE, TARRYTOWN, N Y 10591
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active and passive equity, passive fixed-income and balanced manager.

Its primary equity approach is value-oriented, following Graham & Dodd principles. The beta of equities is low, reflecting a bias toward low p/es and higher current yields. Treasuries are used in balanced accounts.

The asset mix Jan. 1 was 60% equities, 30% bonds and 10% cash.

The parent is Davenport & Co. of Virginia Inc.

Joseph L. Antrim, executive vice president, is chief investment officer; Nancy P. Jenkins, assistant vice president, is client contact.

Davidson, Garrard & Goode

810 Main St., P.O. Box 939,
Lynchburg, Va. 24504; (804)
847-6600

Total assets managed	$63,000,000
Tax-exempt assets managed	
Total	$12,000,000
Separate accounts	$12,000,000
Minimum separate account	$500,000
Tax-exempt clients	37
Types of accounts managed	CEF
No. of portfolio managers	3
Size of research staff	1

Davidson, Garrard & Goode is an active equity, active and passive fixed-income and balanced manager.

Its primary equity approach centers around stocks that quantitatively offer value yet are unrecognized by the general market. Qualitative attributes, insider activity and technical readings are considered. Its fixed-income approach is based on interest rate anticipation, using governments, high-grade corporates and quality municipals with maturities of 10 years or less.

The asset mix Jan. 1 was 48% equities, 33% bonds and 19% cash.

Edgar D. Garrard, president, is chief investment officer; William S. Davidson is client contact.

Davis Hamilton Associates

777 Walker, 2 Shell Plaza, Suite 2570,
Houston, Texas 77002; (713)
237-8422

Total assets managed	$100,000,000
Tax-exempt assets managed	
Total	$100,000,000
Separate accounts	$100,000,000
Mortgage assets	$15,000,000
Minimum separate account	$1,000,000
Tax-exempt clients	5
Types of accounts managed	C
No. of portfolio managers	2

Davis Hamilton Associates is an active equity, active fixed-income and balanced manager.

Its primary equity approach focuses on companies with above-average growth in earnings and dividends, with close attention paid to valuation. Its primary fixed-income approach, based on interest rate anticipation, emphasizes preservation of principal, high current returns and maintenance of liquidity.

The asset mix Jan. 1 was 55% equities, 25% bonds, 5% cash and 15% mortgages.

Robert C. Davis is chief investment officer; Jack R. Hamilton is client contact.

Davis, Weaver & Mendel Inc.

5600 Glenridge Drive, Suite 200,
Atlanta, Ga. 30350; (404) 252-0077

Total assets managed	$240,000,000
Tax-exempt assets managed:	
Total	$182,000,000
Separate accounts	$182,000,000
401(k)/457 assets managed	$5,000,000
No. of 401(k)/457 plans	8
Minimum separate account	$1,000,000
Tax-exempt clients	128
Types of accounts managed	CF
No. of portfolio managers	3

Davis, Weaver & Mendel Inc. is an active equity, active fixed-income, balanced, tactical asset allocation and active international/global equity manager.

Its equity approach emphasizes market timing and sector rotation. The investment process is disciplined, based on computer-generated models. Its primary fixed-income approach is based on interest rate anticipation. Maturity management is used to enhance profitability.

The asset mix Jan. 1 was 88% stocks and 12% cash.

Thomas H. Weaver, president, is chief investment officer; Marsh Douthat, executive vice president, is client contact.

Dawes Investment Service

900 E. Indiantown Road, Suite 305,
Jupiter, Fla. 33477; (407) 747-0896

Total assets managed	$74,000,000
Tax-exempt assets managed	
Total	$48,000,000
Separate accounts	$48,000,000
Minimum separate equity account	$200,000
Minimum separate bond account	$250,000
Tax-exempt clients	89
Types of accounts managed	CEF
No. of portfolio managers	2

Dawes Investment Service is an active equity, fixed-income and balanced manager.

Its highly disciplined, value-oriented equity strategy uses low p/e stocks and sector rotation. A proprietary mathematical model identifies buy/sell points. A semiactive fixed-income approach uses interest rate anticipation to adjust maturities. Sector mix is based on credit quality/yield spread analysis.

The asset mix Jan. 1 was 70% stocks and 30% cash.

Richard C. Sunshine, president, is chief investment officer; Kristy J. Dodge, director of marketing and client services, is client contact.

Dean Investment Associates

2480 Kettering Tower, Dayton, Ohio
45423; (513) 222-9531

Total assets managed	$1,700,000,000
Tax-exempt assets managed	
Total	$619,000,000
Separate accounts	$619,000,000
401(k)/457 assets managed	$25,000,000
No. of 401(k)/457 plans	8
Minimum separate account	$5,000,000
Tax-exempt clients	56
Types of accounts managed	CEFJG
No. of portfolio managers	16

Dean Investment Associates is an active equity, balanced and tactical asset allocation manager.

Its equity approach uses growth and low p/e stocks based on Graham & Dodd analysis, sector rotation and market timing techniques. The firm combines a top-down approach with fundamental and technical methodologies in selecting securities and establishing optimal asset allocation targets.

The asset mix Jan. 1 was 60% equities, 20% bonds and 20% cash.

Dennis D. Dean, executive vice president, is chief investment officer; Richard M. Luthman, vice president and portfolio manager, is client contact.

Dearden, Maguire and Weaver Inc.

2 Penn Center Plaza, Suite 1702,
Philadelphia, Pa. 19102; (215)
972-0888

Total assets managed	$600,000,000
Tax-exempt assets managed	
Total	$275,000,000
Separate accounts	$275,000,000
Minimum separate account	$500,000
Tax-exempt clients	42
Types of accounts managed	CEFJG
No. of portfolio managers	5
Size of research staff	1

Dearden, Maguire and Weaver Inc. is an active equity, active fixed-income and balanced manager.

Its equity approach invests in growth stocks based on Graham & Dodd principles. The firm is quality-oriented based on economic outlook, relative valuation analysis and fundamental and technical data.

Its fixed-income approach uses interest rate anticipation. Portfolios are limited to securities with A or better ratings and maturities of 10 years or less.

The asset mix Jan. 1 was 45% stocks, 40% bonds and 15% cash.

Edward C. Dearden, president, James M. Weaver, treasurer, and Alexander A. Maguire, secretary, are the chief investment officers; Mr. Dearden is client contact.

Debenham, Tewson & Chinnocks Inc.

150 E. 52nd St., Suite 7A, New York,
N.Y. 10022; (212) 758-8218

Total assets managed	$375,000,000
Tax-exempt assets managed	$0
No. of portfolio managers	3

Debenham Tewson & Chinnocks Inc., a real estate manager, seeks undervalued and underperforming assets, and is countercyclical-acquisition oriented.

The parent is Debenham, Tewson & Chinnocks PLC.

C.J. Wood, director, is chief investment officer and client contact.

DeJarnette Investment Advisors Inc.

104 Black Rock Drive, Wintergreen,
Va. 22958-0418; (804) 325-1180

Total assets managed	$13,000,000
Tax-exempt assets managed:	
Total	$7,000,000
Separate accounts	$7,000,000
Minimum separate account	$250,000
Tax-exempt clients	17
Types of accounts managed	CJ
No. of portfolio managers	1
Size of research staff	1

DeJarnette Investment Advisors Inc. is an active equity, active fixed-income, balanced, real estate and short-term manager.

Its equity approach uses emerging growth stocks, emphasizing regional securities in the Southeast. Options are used. Its fixed-income approach uses interest rate anticipation.

The firm follows 30 stocks closely and 75, generally; 50% of research is generated internally.

Jack DeJarnette, president, is chief investment officer and client contact.

Delafield Asset Management

63 Wall St., New York, N.Y. 10005;
(212) 269-0660

Total assets managed	$1,025,000,000
Tax-exempt assets managed	
Total	$366,000,000
Pooled accounts	$23,000,000
Separate accounts	$343,000,000
Minimum separate account	$1,000,000
Tax-exempt clients:	
Separate	21
Types of accounts managed	CEF
No. of portfolio managers	2
Size of research staff	3

Delafield Asset Management Inc. is an active equity manager.

Its equity approach is value-oriented with an emphasis on special situations, low p/e and undervalued investments purchased at measured prices to limit market risk.

The asset mix Jan. 1 was 70% stocks and 30% cash.

The firm follows 100 stocks closely and 300, generally; 98% of research is generated internally.

U.S. tax-exempt clients include Aerospace, Eastern Airlines and the American Red Cross.

J. Dennis Delafield, president, is chief investment officer; Alice B. Hicks, vice president, is client contact.

Delaware Investment Advisers

1 Commerce Square, Philadelphia,
Pa. 19103; (215) 568-5880

Total assets managed	$14,888,000,000
Tax-exempt assets managed:	
Total	$13,848,000,000
Separate accounts	$13,848,000,000
Minimum separate account	$10,000,000
Tax-exempt clients	216
Types of accounts managed	CEFJG
No. of portfolio managers	20

Delaware Investment Advisers is an active equity and active fixed-income manager.

Its equity approach combines sector rotation with low p/e and value/equity income strategies. Its philosophy stresses risk management within a total-rate-of-return orientation.

Its fixed-income approach uses equity-type credit analysis, a sensitivity to business cycles and sophisticated trading strategies to protect the income premium on high-yielding corporate bonds.

The asset mix Jan. 1 was 76% stocks, 16% bonds and 8% cash.

The firm follows 250 stocks closely and 350, generally.

The parent is Delaware Management Co.

U.S. tax-exempt clients include IBM, Father Flanagan's Boys' Home, General Motors and Dartmouth.

John H. Durham is chief investment officer; Winthrop S. Jessup, executive vice president, is client contact.

Delta Financial Inc.

3500 Pacific Ave., Virginia Beach, Va.
23451; (804) 491-1200

Total assets managed	$95,000,000
Tax-exempt assets managed	
Total	$86,000 000
Separate accounts	$86,000,000
Minimum separate account	$1,000,000
Tax-exempt clients	10
Types of accounts managed	C
No. of portfolio managers	4
Size of research staff	4

Delta Financial Inc. is an active equity, active fixed-income and tactical asset allocation manager.

Its equity approach uses an explicit quantitative discipline to seek value, resulting in portfolios that reflect current economic themes.

Its fixed-income approach is core-tactical, emphasizing duration shifts. Options, stock index futures and fixed-income futures are used.

The asset mix Jan. 1 was 10% stocks and 90% cash.

Mark T. Finn, president, is chief investment officer; Eloise Chandler is marketing contact.

Delta Financial Management

37 Derby St., Hingham, Mass. 02043;
(617) 749-8156

Total assets managed	$51,000,000
Tax-exempt assets managed	
Total	$39,000,000
Separate accounts	$39,000,000
Minimum separate account	$500,000
Tax-exempt clients	21
Types of accounts managed	CEJ
No. of portfolio managers	2

Delta Financial Management Corp. is an active equity, active fixed-income and balanced manager.

It follows a low-risk, conservative investment philosophy. The equity approach focuses on low p/e stocks with above-average yields. Fixed-income investing concentrates on high-quality bonds with maturities of 10 years or less.

The asset mix Jan. 1 was 45% stocks, 50% bonds and 5% cash.

William M. Weldon is client contact.

D.F. Dent & Co. Inc.

2 E. Read St., Baltimore, Md. 21202;
(301) 837-2544

Total assets managed	$290,000,000
Tax-exempt assets managed:	
Total	$105,000,000
Separate accounts	$105,000,000
International fixed-income assets	$4,000,000
Minimum separate account	$2,000,000
Tax-exempt clients	36
Types of accounts managed	CEF
No. of portfolio managers	1
Size of research staff	2

D.F. Dent & Co. Inc., an active equity and balanced manager, uses emerging growth and growth stocks in its equity approach.

The asset mix Jan. 1 was 52% stocks, 37% bonds and 11% cash.

The firm follows 40 stocks closely and 80, generally; 80% of research is generated internally.

T.F. O'Neil Jr., vice president, is chief investment officer; S.C. Ellwood, vice president, is client contact.

Denver Investment Advisors

633 17th St., Suite 1800, Denver,
Colo. 80270; (303) 293-2020

Total assets managed	$4,300,000,000
Tax-exempt assets managed:	
Total	$4,008,000,000
Separate accounts	$4,008,000,000
Minimum separate account	$10,000,000
Tax-exempt clients	87
Types of accounts managed	CEFG
No. of portfolio managers	7
Size of research staff	9

Denver Investment Advisors Inc. is an active equity, active fixed-income, balanced, short-term and mutual funds manager.

Its equity approach uses a fundamental, bottom-up stock selection process focusing on small- to midsize companies. Earnings growth is emphasized and strict valuation techniques are used.

25 largest insurance cos.

Firm	$ mils.*
Prudential	86,250
Equitable	60,473
Metropolitan Life	52,290
Aetna Life	43,520
The New England	35,206
Travelers	27,916
CIGNA	24,827
Pacific Financial	20,455
John Hancock Financial	18,780
The Principal	16,616
New York Life	16,253
USF&G (Chancellor, Axe)	14,025
Mass. Mutual Life	10,700
VALIC	8,431
MONY Financial	7,907
Marsh/McLennan (Putnam)	7,850
Lincoln Nat'l	7,556
Transamerica Investment	6,671
Great-West Life	6,300
Mutual Benefit Life	6,003
Liberty Mutual (Stein, Roe)	5,838
Provident Nat'l Assurance	5,801
Hartford Life	4,700
Continental Assurance	4,562
Nationwide Life	4,457
TOTAL	503,386

* discretionary, tax-exempt assets, including subsidiaries

For fixed-income, the firm divides the market into three duration categories. Portfolios emphasize high-quality (non-Treasury), undervalued sectors and special situation bonds. Asset allocation is used to set duration.

The asset mix Jan. 1 was 45% stocks, 49% bonds and 6% cash.

The firm follows 130 stocks closely and 300, generally; 70% of research is generated internally.

The parent is First Interstate Bank of Denver.

U.S. tax-exempt clients include AT&T, California Teachers, Louisiana and Rohm and Haas.

Kenneth V. Penland is chief investment officer; Dennis E. Larkin, vice president-marketing, is client contact.

Deposit Guaranty National Bank

P.O. Box 1200, Jackson, Miss.
39215-1200; (601) 354-8128

Total assets managed	$698,000,000
Tax-exempt assets managed:	
Total	$401,000,000
Commingled accounts	$147,000,000
Separate accounts	$254,000,000
401(k)/457 assets managed	$50,000,000
No. of 401(k)/457 plans	20
Real estate equity assets	$7,000,000
Mortgage-backed assets	$8,000,000
Tax-exempt clients:	
Commingled	354
Separate	239
Types of accounts managed	CEF
No. of portfolio managers	6

Deposit Guaranty National Bank is an active equity, active fixed-income, balanced, real estate and short-term manager.

Its equity approach combines sector rotation, growth stock analysis and emerging growth. Its fixed-income approach emphasizes high credit quality, duration analysis and investment rate forecasts.

Its real estate approach is equity interests in existing income-producing commercial and industrial property.

The asset mix Jan. 1 was 35% stocks, 60% bonds, 2% cash, 1% equity real estate and 2% mortgage-backed securities.

The parent is Deposit Guaranty Corp.

Gerald L. White, senior vice president and trust officer, is chief investment officer; C. David Cleland, senior vice president, is client contact.

Derby & Co. Inc.

57 Wells Ave., Newton, Mass. 02159;
(617) 332-2449

Total assets managed	$44,000,000
Tax-exempt assets managed:	
Total	$41,000,000
Separate accounts	$41,000,000
401(k)/457 assets managed	$250,000
No. of 401(k)/457 plans	2
Equity real estate assets	$1,000,000
Dedicated/immunized assets	$11,000,000
Minimum separate account	$500,000
Tax-exempt clients	40
Types of accounts managed	C
No. of portfolio managers	3

Derby & Co. Inc., an active fixed-income and short-term manager, bases its investment approach on interest rate anticipation.

The asset mix Jan. 1 was 5% stocks, 35% bonds, 58% cash and 2% equity real estate.

Burt Derby is chief investment officer; Mark Derby is client contact.

Dewey Square Investors

1 Financial Center, Boston, Mass.
02111; (617) 434-6217

Total assets managed	$3,440,000,000
Tax-exempt assets managed:	
Total	$3,440,000,000
Pooled accounts	$165,000,000
Separate accounts	$3,275,000,000
Mortgage-backed assets	$75,000,000
Dedicated/immunized assets	$400,000,000
Minimum separate account	$5,000,000
Tax-exempt clients:	
Commingled	200
Separate	100
Types of accounts managed	CEFJG
No. of portfolio managers	10

Dewey Square Investors is an active equity, active and passive fixed-income and short-term manager.

Its equity approach is quantitative and low p/e. It constructs highly diversified portfolios built of stocks with high relative valuation rank and poor past price behavior. Its fixed-income approach emphasizes a yield bias due to belief that return comes from yield and reinvestment. The firm evaluates risk/return in four areas: duration/maturity, yield curve placement, sector selection and individual item selection.

The asset mix Jan. 1 was 42% stocks, 36% bonds, 20% cash and 2% mortgage-backed securities.

The firm follows 100 stocks closely and 750, generally; 60% of research is generated internally.

The parent is United Asset Management Corp.

U.S. tax-exempt clients include Ford, American Airlines, Gillette and Raytheon.

Peter M. Whitman Jr. is chief investment officer; Caroline R. Hovey, director of marketing, is client contact.

Dietche & Field Advisers

437 Madison Ave., New York, N.Y.
10022; (212) 752-2047

Total assets managed	$284,000,000
Tax-exempt assets managed:	
Total	$202,000,000
Separate accounts	$202,000,000
Minimum separate account	$10,000,000
Tax-exempt clients	9
Types of accounts managed	CFG
No. of portfolio managers	2
Size of research staff	1

Dietche & Field Advisers Inc., an active equity manager, uses Graham & Dodd analysis in its bottom-up approach. Managers seek undervalued companies undergoing significant change.

The asset mix Jan. 1 was 88% stocks and 12% cash.

U.S. tax-exempt clients include Boise Cascade, Evaluation Associates Small Managers, City of Baltimore and Pittson Co.

Paul C. Dietche, president, is chief investment officer; Lincoln P. Field, vice president, is client contact.

W. David DiLeo Investment Advisors

111 S. Bemiston, Suite 202, St. Louis,
Mo. 63105; (314) 727-8050

Total assets managed	$120,000,000
Tax-exempt assets managed:	
Total	$10,000,000
Separate accounts	$10,000,000
401(k)/457 assets managed	$1,000,000
Minimum separate account	$500,000
Types of accounts managed	CF
No. of portfolio managers	1

W. David DiLeo Investment Advisors is an active equity, active fixed-income and balanced manager.

Its equity approach is value-oriented using Graham & Dodd analysis, growth and low p/e stocks, and sector rotation. Its fixed-income approach is driven by interest rate anticipation and sector analysis.

The asset mix Jan. 1 was 20% equities, 60% bonds and 20% cash.

W. David DiLeo is chief investment officer and client contact.

Dillon, Read Capital Inc.

535 Madison Ave., New York, N.Y.
10022; (212) 906-7659

Total assets managed	$2,546,000,000
Tax-exempt assets managed:	
Total	$2,029,000,000
Separate accounts	$2,629,000,000
401(k)/457 assets managed	$1,070,000,000
No. of 401(k)/457 plans	41
Minimum separate account	$10,000,000
Tax-exempt clients	53
Types of accounts managed	CFG
No. of portfolio managers	5

Dillon, Read Capital Inc. is an active equity and balanced manager.

Its primary equity approach emphasizes active asset allocation, using a price-sensitive, bottom-up stock selection process in which securities of quality companies are bought when they are out of favor and undervalued. Cash will be raised when securities are overvalued or the trend to overall liquidity is negative.

In balanced accounts, fixed-income assets are actively managed, adjusting maturities depending on valuation and trends of liquidity. High-quality issues are used.

The asset mix Jan. 1 was 53% stocks, 2% bonds and 45% cash.

In addition to the assets above, Dillon, Read Capital manages some commingled funds for its parent, The Travelers Corp.

U.S. tax-exempt clients include Hughes Aircraft, United Systems Master Trust, Goodyear and Inland Steel.

Timothy G. Dalton Jr., president, is chief investment officer; David A. Dewey, executive vice president, is client contact.

Dimensional Fund Advisors

1299 Ocean Ave., Suite 650, Santa
Monica, Calif. 90401; (213)
395-8005

Total assets managed	$5,235,000,000
Tax-exempt assets managed:	
Total	$4,851,000,000
Pooled accounts	$4,456,000,000
Separate accounts	$395,000,000
International equity assets	$314,000,000
Equity indexed assets	$3,558,000,000
Minimum separate account	$25,000,000
Tax-exempt clients:	
Pooled	112
Separate	3
Types of accounts managed	CEFJG
No. of portfolio managers	6

Dimensional Fund Advisors Inc. is a passive equity, active fixed-income and passive international equity manager.

Its primary equity approach is to invest in small companies to provide diversification and potential for long-term return premiums. Its primary fixed-income approach uses a variable maturity strategy that maximizes expected returns by shifting maturities in response to changes in the current prices.

The asset mix Jan. 1 was 80% stocks and 20% bonds.

The firm follows 6,000 stocks closely and 6,000, generally.

Rex A. Sinquefield is chairman and chief investment officer; David G. Booth, chairman and chief executive officer, is client contact.

Disciplined Portfolio Management Inc.

19 Center St., Chatham, N.J. 07928;
(201) 635-0518

Total assets managed	$0
Minimum separate account	$5,000,000
No. of portfolio managers	2

Disciplined Portfolio Management Inc., an equity manager, takes a fundamental, systematic and disciplined approach, using a combination of Graham & Dodd and quantitative principles. Appropriate fundamental, qualitative, quantitative and technical ranks identify attractive investments. The process is reinforced by a rigorous sell discipline.

Darley T. Randall is chief investment officer and client contact.

Discount Corp. of New York Advisers

58 Pine St., New York, N.Y. 10005;
(212) 248-8989

Total assets managed	$6,724,000,000
Tax-exempt assets managed:	
Total	$6,724,000,000
Pooled accounts	$184,000,000
Separate accounts	$6,540,000,000
401(k)/457 assets managed	$161,000,000
No. of 401(k)/457 plans	2
Minimum separate bond account	$50,000,000
Tax-exempt clients:	
Pooled	4
Separate	17
Types of accounts managed	CFG
No. of portfolio managers	5
Size of research staff	11

Discount Corp. of New York Advisers is an active fixed-income, active global fixed-income and short-term manager.

Its fixed-income approach uses high credit-quality issues, shifting into securities of greater or lesser market risk based on anticipated interest rate moves. Investment policies are based on fundamental market analysis and technical factors. Portfolio managers as a team refine broad investment policy, select specific instruments and execute transactions, allowing for active management of short- and long-term accounts and quick portfolio adjustments. Options, fixed-income futures and foreign currencies are used.

The asset mix Jan. 1 was 4% bonds and 96% cash.

The parent is Discount Corp. of New York.

Patricia de Blank Klink is president, director and chief investment officer; Barbara D. Fiorito, vice president, is client contact.

Dodge & Cox

1 Post St., 35th Floor, San Francisco,
Calif. 94104; (415) 981-1710

Total assets managed	$5,807,000,000
Tax-exempt assets managed:	
Total	$4,880,000,000
Separate accounts	$4,880,000,000
Minimum separate account	$20,000,000
Tax-exempt clients	108
Types of accounts managed	CEFG
No. of portfolio managers	10
Size of research staff	9

Dodge & Cox is an active equity, active fixed-income and balanced manager.

It takes a fundamental value, diversified approach to equities, investing in established companies that managers believe have positive earnings prospects not reflected in current prices.

Its fixed-income approach focuses on identifying undervalued market sectors and securities to construct high-quality, diversified portfolios. Maturities are gradually adjusted within a range of nine to 15 years. Interest rate anticipation is used.

The asset mix Jan. 1 was 54% stocks, 42% bonds and 4% cash.

The firm follows 200 stocks closely and 500, generally; 75% of research is generated internally.

Joseph M. Fee, president and chief executive officer, is chief investment officer; Kenneth E. Olivier, vice president, is client contact.

Dohmen Capital Management Inc.

1800 Grosvenor Center, 733 Bishop
St., Honolulu, Hawaii 96813; (808)
524-8063 or (800) 992-9989

Total assets managed	$25,000,000
Tax-exempt assets managed:	
Total	$18,000,000
Separate accounts	$18,000,000
International fixed-income assets	$5,000,000
Minimum separate account	$500,000
Tax-exempt clients	96
Types of accounts managed	CJ
No. of portfolio managers	3
Size of research staff	2

Dohmen Capital Management Inc. is an active equity and active global equity and fixed-income manager.

Its equity approach is global and based on sector rotation and market timing/tactical asset allocation; it uses no-load mutual funds and government securities. Its fixed-income approach is based on interest rate anticipation and the liquidity posture of the Fed.

The asset mix Jan. 1 was 65% stocks, 25% international bonds and 10% cash.

The parent is Wellington Financial Corp.

Bert Dohmen is chief investment officer; Gary Rosolowich, senior vice president, is client contact.

Dollins Symons Management Inc.

1409 Terrace Drive, Pittsburgh, Pa.
15228; (412) 344-3764

Total assets managed	$6,000,000
Tax-exempt assets managed:	
Total	$5,000,000
Separate accounts	$5,000,000
Minimum separate account	$100,000
Tax-exempt clients	13
Types of accounts managed	CF
No. of portfolio managers	2

Dollins Symons Management Inc. is an active equity, passive fixed-income and balanced manager.

Its equity approach is quantitative, emphasizing low p/e stocks. Scientific analysis and interpretation of financial data is key, emphasizing analysis of historical financial data as a function of change in stock price. In fixed-income, it invests in high-quality obligations with average maturities of three years or less.

The asset mix Jan. 1 was 88% stocks, 11% bonds and 1% cash.

Charles C. Dollins, chief executive officer is chief investment officer; Edward L. Symons Jr., president, is client contact.

Carl Domino Associates L.P.

5 Harvard Circle, Suite 109, West
Palm Beach, Fla. 33409; (407)
697-2723

Total assets managed	$62,000,000
Tax-exempt assets managed:	
Total	$23,000,000
Separate accounts	$23,000,000
Minimum separate account	$5,000,000
Tax-exempt clients	3
Types of accounts managed	CE
No. of portfolio managers	2

Carl Domino Associates L.P. is an active equity, active fixed-income and balanced manager.

Its equity approach uses fundamental analysis to identify undervalued, high-yield equities. Its fixed-income approach uses interest rate anticipation and sector analysis. Capital preservation is stressed.

All tax-exempt assets Jan. 1 were in equity.

U.S. tax-exempt clients include Chrysler, Beth Israel Hospital and Riverside Church.

Carl J. Domino, president, is chief investment officer; Thomas J. Walsh Jr., partner, is client contact.

Dougery, Jones & Wilder

2003 Landings Drive, Mountain View,
Calif. 94043; (415) 968-4820

Total assets managed	$130,000,000
Tax-exempt assets managed:	
Total	$130,000,000
Pooled accounts	$1,000,000
Separate accounts	$129,000,000
Minimum separate account	$500,000
Tax-exempt clients:	
Separate	37
Types of accounts managed	CEF
No. of portfolio managers	4
Size of research staff	1

Dougery, Jones & Wilder is a venture capital firm that invests in small- to medium-size companies that demonstrate outstanding growth potential.

U.S. tax-exempt clients include Honeywell, John Deere and U S WEST.

Chief investment officers, client contacts and general partners are John R. Dougery, Henry L.B. Wilder, Gerald Schoonhoven and A. Lawson Howard.

Dreman Value Management

70 Pine St., Suite 4205, New York,
N.Y. 10270; (212) 785-0202

Total assets managed	$3,713,000,000
Tax-exempt assets managed:	
Total	$3,015,000,000
Separate accounts	$3,015,000,000
Minimum separate account	$5,000,000
Tax-exempt clients	198
Types of accounts managed	CEFJG
No. of portfolio managers	15

Dreman Value Management Inc. is an active equity, active fixed-income and balanced manager.

Its equity approach is to invest in undervalued low p/e stocks with high yields and solid fundamentals. The fixed-income approach uses interest rate anticipation and focuses on safety of principal and yield.

The asset mix Jan. 1 was 91.5% stocks, 7.5% bonds and 1% cash.

The firm follows 100 stocks closely and 500, generally; all research is generated internally.

U.S. tax-exempt clients include American Airlines, Colorado FPPA, International Monetary Fund and Federal Express.

David N. Dreman, managing director, is chief investment officer; Murat H. Davidson Jr., managing director, is client contact.

Drexel Burnham Lambert Quantitative Asset Management Group Inc.

1 S. Wacker Drive, Suite 1580,
Chicago, Ill. 60606; (312) 977-4173

Total assets managed	$7,000,000
Tax-exempt assets managed:	
Total	$7,000,000
Separate accounts	$7,000,000
Minimum separate account	$2,000,000
Tax-exempt clients	1
Types of accounts managed	J
No. of portfolio managers	2
Size of research staff	2

Drexel Burnham Lambert Quantitative Asset Management Group Inc., formerly Quantitative Asset Management Group, is an active fixed-income manager in the domestic and global markets.

The firm applies quantitative techniques to a top-down investment approach that sequentially considers currency, maturity and security selection. Control of exchange rate risk through active currency management is the primary investment objective, which is met through the use of currency futures and forwards.

The asset mix Jan. 1 was 86% bonds and 14% cash.

The parent is Drexel Burnham Lambert Group Inc.

Fred Arditti is chief investment officer; Richard Bindler is client contact.

Dreyfus Management Inc.

767 Fifth Ave., New York, N.Y. 10153;
(212) 715-6454

Total assets managed	$1,621,000,000
Tax-exempt assets managed:	
Total	$1,616,000,000
Separate accounts	$1,616,000,000
401(k)/457 assets managed	$30,000,000
No. of 401(k)/457 plans	1
Minimum separate account	$10,000,000
Tax-exempt clients	41
Types of accounts managed	CEFJG
No. of portfolio managers	5
Size of research staff	3

Dreyfus Management Inc. is an active equity, active fixed-income, balanced and short-term manager.

Its value-oriented, low p/e and contrarian equity approach blends top-down/bottom-up styles with stock selection and asset mix decisions being the most important, followed by industry or sector weighting.

Its primary fixed-income approach is based on maturity or duration management. Using high-quality short/intermediate issues, the maximum average maturity is 10 years, with normal average maturity equal to the risk-adjusted peak of the yield curve.

The asset mix Jan. 1 was 20% equities, 53% bonds and 27% cash.

The parent is The Dreyfus Corp.

U.S. tax-exempt clients include Mississippi Public Employees, Harris, National Telephone and Whitman.

Peter A. Santoriello, president, is chief investment officer; Edward V. Arbaugh III, vice president, is client contact.

Duff & Phelps Investment Management Co.

55 E. Monroe, Suite 3800, Chicago, Ill.
60603; (312) 368-5500

Total assets managed	$6,463,000,000
Tax-exempt assets managed:	
Total	$6,463,000,000
Separate accounts	$6,463,000,000
Mortgage-backed assets	$500,000,000
Minimum separate account	$5,000,000
Tax-exempt clients	94
Types of accounts managed	CEFJG
No. of portfolio managers	16
Size of research staff	110

Duff & Phelps Investment Management Co. is an active equity, active fixed-income and balanced manager.

Its equity approach employs bottom-up research emphasizing stocks with ow p/e multiples, high-dividend income and above-average return on equity. Graham & Dodd analysis is used.

Its fixed-income approach stresses preservation of capital and generation of income using high-quality issues. Maturity distribution is based on interest rate forecasts.

The asset mix Jan. 1 was 36% stocks, 51% bonds, 5% cash and 8% mortgage-backed securities.

The firm follows 125 stocks closely and 800, generally; 98% of research is generated internally.

The parent is Duff & Phelps Inc.

U.S. tax-exempt clients include Arizona State Compensation Fund, Nevada Industrial Insurance System, Ohio State Highway Patrol and the Lincoln Foundation.

Robert D. Milne is chief investment officer; David A. Dahl, assistant vice president, is client contact.

Dundee Partners Inc.

Park 80 West, Plaza 2, Saddlebrook,
N.J. 07662; (201) 843-2250

Total assets managed	$30,000,000
Tax-exempt assets managed:	
Total	$30,000,000
Separate accounts	$30,000,000
Minimum separate account	$1,000,000
Tax-exempt clients	12
Types of accounts managed	C
No. of portfolio managers	2
Size of research staff	2

Dundee Partners Inc., an active equity manager, uses sector rotation and quantitative methods. The firm rotates among sectors that research shows will benefit most in the next market cycle.

As of Jan. 1, the firm was fully invested in equities.

William Hay is chief investment officer and client contact.

Dunedin Fund Managers Ltd.

25 Ravelston Terrace, Edinburgh EH4
3EX, U.K., 031-315-2500

Total assets managed	$3,025,000,000
Tax-exempt assets managed:	
Total	$187,000,000
Separate accounts	$187,000,000
International equity assets	$173,000,000
International fixed-income assets	$5,000,000
International cash assets	$9,000,000
Minimum separate account	$5,000,000
Tax-exempt clients	5
Types of accounts managed	CEJ
No. of portfolio managers	11
Size of research staff	17

Dunedin Fund Managers Inc. is an active international/global equity and fixed-income manager.

Its equity approach emphasizes high-quality growth companies. Equal weight is placed on country currency and stock selection. Its fixed-income approach uses sector analysis. Maturity and country allocation is determined monthly based on views of world economies, interest rates and currency movements.

The asset mix Jan. 1 was 92% international stocks, 3% international bonds and 5% international cash.

Alan S. Kemp, investment director, is chief investment officer. The firm has a North American office at 1010 Sherbrooke St. W., Suite 1512, Montreal, Quebec H3A 2R7. Douglas B. Waggoner is client contact in Montreal, at (514) 499-9348.

E

Eagle Asset Management

880 Carillon Parkway, St. Petersburg,
Fla. 33716; (800) 237-3101

Total assets managed	$1,685,000,000
Tax-exempt assets managed:	
Total	$829,000,000
Separate accounts	$829,000,000
401(k)/457 assets managed	$103,000,000
Minimum separate account	$2,000,000
Tax-exempt clients	32
Types of accounts managed	CEFG
No. of portfolio managers	6
Size of research staff	2

Eagle Asset Management is an active equity, active fixed-income and balanced manager.

cash flow analysis. The firm invests primarily in non-technology growth stocks with a significant value component. Its fixed-income approach is based on interest rate anticipation and sector analysis.

The asset mix Jan. 1 was 80% stocks and 20% cash.

The parent is Raymond James Financial.

U.S. tax-exempt clients include City of Boston, City of Dallas, TRW and The Common Fund.

Herbert E. Ehlers, president, is chief investment officer; Lincoln Kinnicutt, senior vice president, is client contact.

Eagle Capital Management

530 Fifth Ave., New York, N.Y. 10036;
(212) 768-0700

Total assets managed	$85,000,000
Tax-exempt assets managed	$0
Minimum separate account	$3,000,000
No. of portfolio managers	2
Size of research staff	2

Eagle Capital Management is an active equity and balanced manager.

The firm focuses on undervalued, underresearched, low p/e, growth stocks of disciplined, quality companies. Its fixed-income approach uses interest rate anticipation.

Options, stock index and fixed-income futures are used.

The firm follows 50 stocks closely and 150, generally; 50% of the research is generated internally.

Ravenel B. Curry III is chief investment officer; Richard A. Kimball is client contact.

Eastdil Realty Inc.

40 W. 57th St., New York, N.Y. 10019;
(212) 315-7200

Total assets managed	$1,900,000,000
Tax-exempt assets managed:	
Total	$577,000,000
Separate accounts	$577,000,000
Equity real estate assets	$515,000,000
Mortgage assets	$62,000,000
Minimum separate account	$100,000,000
Tax-exempt clients	4
Types of accounts managed	CG

Eastdil Realty Inc., a real estate manager, focuses on innovative acquisition techniques and in-depth asset management. The objective is to achieve a competitive real rate of return over the long term through the enhancement of property value.

The asset mix Jan. 1 was 89% equity real estate and 11% mortgages.

U.S. tax-exempt clients include AT&T, New York State Common Fund and Missouri State Employees.

Benjamin V. Lambert, chairman and chief executive officer, is chief investment officer; Jeffery H. Cooper, Robert T. Davis and Thomas M. Yamin, executive vice presidents, and Steven A. Karpf and Roy H. March, senior vice presidents, are client contacts.

Eaton Vance Management

24 Federal St., Boston, Mass. 02115;
(617) 482-8260

Total assets managed	$4,869,000,000
Tax-exempt assets managed:	
Total	$1,026,000,000
Separate accounts	$1,026,000,000
Mortgage-backed assets	$25,000,000
International equity assets	$75,000,000
International fixed-income assets	$10,000,000
Minimum separate account	$1,000,000
Tax-exempt clients	95
Types of accounts managed	CEFGJ
No. of portfolio managers	20
Size of research staff	18

Eaton Vance Management Inc. is an active equity, active fixed-income, balanced, short-term, high-yield bond, put-bond and mortgage-backed security manager.

Its equity approach uses sector rotation, focusing on growth and emerging growth stocks. The firm emphasizes financial fundamentals: quality, value, price and timeliness. Research focuses on revenue growth, improving margins, pricing flexibility, upward earnings momentum and enhanced price potential.

Its fixed-income approach seeks high, stable income and appreciation and downside protection. Selections are based on credit-worthiness and yield, employing maturity changes,

pation.

Options and fixed-income futures are used.

The asset mix Jan. 1 was 51% equities, 31% bonds and 18% cash.

The parent is Eaton Vance Corp.

James B. Hawkes is chief investment officer; John H. Wise Jr., vice president, is client contact.

The Edgecombe Group

196 Adelaide St. W., Toronto, Ontario
M5H 1W7; (416) 977-1980

Total assets managed	$600,000,000
Tax-exempt assets managed:	
Total	$130,000,000
Pooled accounts	$50,000,000
Separate accounts	$80,000,000
For subsidiaries of U.S. firms	$0
Equity real estate assets	$130,000,000
Tax-exempt clients:	
Pooled	60
Separate	8
Types of accounts managed	CGU
No. of portfolio managers	3
Size of research staff	10

The Edgecombe Group, a Canadian firm, is a real estate manager specializing in developing investment-grade commercial real estate portfolios to meet specific investment objectives.

The firm may recommend participation in its open-end or closed-end funds, direct ownership through syndication, or an account combining various forms of ownership.

The asset mix Jan. 1 was 100% equity real estate.

The parent is North American Life Assurance Co.

Tom Inglis, chairman, is chief investment officer; Michael Walsh, director, is client contact.

Edgewood Management Co.

675 Third Ave., New York, N.Y. 10017;
(212) 687-7480

Total assets managed	$399,000,000
Tax-exempt assets managed:	
Total	$33,000,000
Separate accounts	$33,000,000
Minimum separate account	$1,000,000
Tax-exempt clients	19
Types of accounts managed	CF
No. of portfolio managers	4
Size of research staff	2

Edgewood Management Co. is an active equity, active fixed-income, balanced and short-term manager.

Its equity approach stresses growth stocks and its fixed-income approach uses interest rate anticipation and sector analysis.

The asset mix Jan. 1 was 42% equities, 33.3% bonds and 24.7% cash.

William C. Breed III is chief investment officer; Nicholas A. Stephens, managing director, is client contact.

1838 Investment Advisors

3 Mellon Bank Center, 32nd Floor,
Philadelphia, Pa. 19102; (215)
963-3526

Total assets managed	$2,300,000,000
Tax-exempt assets managed:	
Total	$1,430,000,000
Separate accounts	$1,430,000,000
Mortgage-backed assets	$41,000,000
Minimum separate account	$5,000,000
Tax-exempt clients	107
Types of accounts managed	CEFGJ
No. of portfolio managers	12

1838 Investment Advisors L.P., formerly Drexel Burnham Lambert Investment Advisors, is an active equity, active fixed-income, balanced and short-term manager.

Its equity approach focuses on relative value. The firm believes a disciplined approach that concentrates portfolios in undervalued and out-of-favor securities will provide above-market returns at below-market levels of risk.

Its primary fixed-income approach seeks opportunities through credit and market inefficiencies and cyclical and technical trends. The firm uses these opportunities to add incremental value with each transaction, without significantly changing risk, maturity or income levels.

Options and fixed-income futures are used.

The asset mix Jan. 1 was 42% equities, 51% bonds and 7% cash.

The firm follows 150 stocks closely and 600, generally; 30% of research is

W. Thacher Brown, president, is chief investment officer; John Springrose, principal, is client contact.

Elliott & Page Atlantic Ltd.

1801 Hollis St., Suite 310, Halifax,
Nova Scotia B3J 3N4; (902)
423-9367

Total assets managed	$160,000,000
Tax-exempt assets managed:	
Total	$130,000,000
Separate accounts	$130,000,000
For subsidiaries of U.S. firms	$1,000,000
Minimum separate account	$1,000,000
Tax-exempt clients	8
U.S. subsidiaries	1
Types of accounts managed	CEGU
No. of portfolio managers	2

Elliott & Page Atlantic Ltd., a Canadian firm, is an active equity, passive fixed-income, balanced and short-term manager.

Its bottom-up equity approach is value-oriented, using Graham & Dodd analysis and low p/es to identify growth/emerging growth stocks. Management ability and company financial strength are most important. Its fixed-income approach emphasizes the long-term secular forecast.

The asset mix Jan. 1 was 35% Canadian stocks, 10% U.S. stocks, 35% bonds and 20% cash.

The parent is Elliott & Page Ltd.

G. Peter Marshall, president, is chief investment officer; Robert G. McKim, vice president, is client contact.

Elliott & Page Investment Counsel

120 Adelaide St. W., Suite 1120,
Toronto, Ontario M5H 1V1; (416)
365-8300

Total assets managed	$3,800,000,000
Tax-exempt assets managed:	
Total	$800,000,000
Separate accounts	$800,000,000
For subsidiaries of U.S. firms	$45,000,000
Minimum separate account	$3,000,000
Tax-exempt clients	68
U.S. subsidiaries	2
Types of accounts managed	CGU
No. of portfolio managers	17
Size of research staff	2

Elliott & Page Investment Counsel, a Canadian firm, is an active equity, active fixed-income, balanced and short-term manager.

Its primary equity approach is value-oriented, with some sector rotation and emerging growth focus. Its fixed-income approach uses interest rate anticipation and sector analysis. Issue quality and liquidity are emphasized.

The asset mix Jan. 1 was 33% Canadian stocks, 8% U.S. stocks, 35% bonds and 24% cash.

The parent is North American Life Assurance Co.

Morton Patrontasch, president, is chief investment officer; Ian H. Taylor, vice president, is client contact.

Richard Ellis Inc.

527 Madison Ave., New York, N.Y.
10022; (212) 355-4810

Total assets managed	$3,976,000,000
Tax-exempt assets managed:	
Total	$2,690,000,000
Separate accounts	$2,690,000,000
Equity real estate assets	$2,690,000,000
Minimum separate account	$100,000,000
Tax-exempt clients	7
Types of accounts managed	CG
No. of portfolio managers	8
Size of research staff	18

Richard Ellis Inc., a real estate manager, stresses investments in fundamentally strong office buildings, regional malls and modern industrial properties. Generally, properties are in markets with sustainable economic growth.

All assets were in equity real estate Jan. 1.

Christopher D. Budden, president, is chief investment officer; David R. Hodes, senior vice president, is client contact.

EMG Advisors Inc.

57 Unquowa Road, Fairfield, Conn.
06430; (203) 255-5701

Total assets managed	$52,000,000
Tax-exempt assets managed:	
Total	$52,000,000
Separate accounts	$52,000,000
401(k)/457 assets managed	$4,000,000
Mortgage-backed assets	$47,000,000
Minimum separate account	$2,000,000
Tax-exempt clients	8
Types of accounts managed	CJ
No. of portfolio managers	1

EMG Advisors Inc. is an active fixed-income manager that invests in U.S. Treasury and mortgage-backed securities. The firm allocates funds between fixed- and variable-rate securities as a function of the yield curve level and trend of interest rates.

The asset mix Jan. 1 was 10% cash and 90% mortgage-backed securities.

U.S. tax-exempt clients include Babcock Industries and IBEW Locals 570 and 518.

William H. Hatch III, president, is chief investment officer and client contact.

EMP Capital Management

707 E. Main St., Richmond, Va.
23219; (800) 456-8585

Total assets managed	$149,000,000
Tax-exempt assets managed:	
Total	$149,000,000
Separate accounts	$149,000,000
Minimum separate account	$5,000,000
Tax-exempt clients	17
Types of accounts managed	CEFG
No. of portfolio managers	3
Size of research staff	1

EMP Capital Management is an active equity, active fixed-income, balanced, short-term and South Africa-free manager.

Its equity approach identifies stocks with accelerating earnings momentum; buy disciplines and fundamental judgment are applied.

For fixed-income, defensive portfolios are constructed using a laddered structure and moderate shifts of maturity in the intermediate range.

The asset mix Jan. 1 was 58% equities, 27% bonds and 15% cash.

The parent is Wheat Investment Advisors Inc.

Lawrence B. Whitlock Jr., senior vice president, is chief investment officer; A. Gordon Goodykoontz, president, is client contact.

Roger Engemann & Associates Inc.

600 N. Rosemead Blvd., Pasadena,
Calif. 91107; (818) 351-9686

Total assets managed	$357,000,000
Tax-exempt assets managed:	
Total	$175,000,000
Separate accounts	$175,000,000
Minimum separate account	$100,000
Tax-exempt clients	305
Types of accounts managed	CEF
No. of portfolio managers	2
Size of research staff	4

Roger Engemann & Associates Inc. is an active equity manager. Through independent fundamental research, the firm finds companies it believes have strong management, sound business plans and superior potential for earnings growth.

The asset mix Jan. 1 was 85% equities and 15% cash.

Roger Engemann, president, is chief investment officer; Stephen Y. Ascher, vice president, is client contact.

Equitable Agri-Business Inc.

1040 Crown Pointe Parkway, Suite
780, Atlanta, Ga. 30338; (404)
668-5200

Total assets managed	$2,095,000,000
Tax-exempt assets managed:	
Total	$914,000,000
Pooled accounts	$914,000,000
Equity real estate assets	$118,000,000
Mortgage assets	$796,000,000
Minimum separate account	$5,000,000
Types of accounts managed	C
No. of portfolio managers	2
Size of research staff	3

Equitable Agri-Business is a real estate manager.

Key to abbreviations

C: Corporate
E: Educational endowment
F: Private foundation
G: U.S. state/local gov't
J: Jointly trusteed
P: Canadian provincial gov't
U: Unions (Canadians only)

Its real estate approach uses careful selection of prime agricultural properties with geographic, property and crop diversification. The fund can include product diversification mix of citrus groves, orchards, vineyards, timberlands, farms and ranches.

The asset mix Jan. 1 was 13% equity real estate and 87% mortgages.

The parent is Equitable Life Assurance Society of the United States.

Norman G. Yergen, senior vice president-investments, is chief investment officer; Ken Binkley, senior vice president-marketing, is client contact.

Equitable Capital Management Corp.

1285 Avenue of the Americas, New York, N.Y. 10019; (212) 554-2000

Total assets managed	$33,320,000,000
Total discretionary assets	$33,208,000,000
Tax-exempt assets managed:	
Total	$16,915,000,000
Pooled accounts	$5,920,000,000
Separate accounts	$1,722,000,000
GICs	$1,824,000,000
Other	$7,449,000,000
401(k)/457 assets managed	$600,000,000
No. of 401(k)/457 plans	110
Equity real estate assets	$45,000,000
Mortgage-backed assets	$2,000,000,000
International equity assets	$100,000,000
Fixed-income indexed assets	$100,000,000
Dedicated/immunized assets	$600,000,000
Minimum separate account	$10,000,000
Tax-exempt clients:	
Pooled	500
Separate	22
Types of accounts managed	CEFGJ
No. of portfolio managers	26
Size of research staff	18

Equitable Capital Management Corp. is an active equity, active and passive fixed-income, balanced, real estate, active international equity, short-term, LBO fund, options and futures, and convertibles manager.

Its equity approach integrates a growth orientation with a value discipline. Its active fixed-income approach is based on interest rate anticipation and sector analysis. Portfolios are structured quantitatively. Options and financial futures are used.

The separate account asset mix Jan. 1 was 50% stocks, 23% bonds, 21% cash, 1% mortgage-backed securities and 5% direct placements.

The parent is Equitable Life Assurance Society of the United States. In addition to the GIC assets above, the parent has $12.276 billion in GIC assets dispersed among its various subsidiaries.

Brian F. Wruble, chief executive officer and president, is chief investment officer. Client contacts are Linda Shrader, managing director-client service; Alden M. Stewart, equity and balanced; and Zane Brown, fixed-income.

Equitable Real Estate Investment Management

787 Seventh Ave., New York, N.Y. 10019; (212) 554-4213

Total assets managed	$32,715,000,000
Total discretionary assets	$32,715,000,000
Tax-exempt assets managed:	
Total	$18,316,000,000
Pooled accounts	$5,826,000,000
Separate accounts	$3,292,000,000
Other	$9,198,000,000
401(k)/457 assets managed	$5,000,000
No. of 401(k)/457 plans	2
Equity real estate assets	$13,723,000,000
Mortgage assets	$4,593,000,000
Minimum separate account	$100,000,000
Tax-exempt clients:	
Pooled	280
Separate	8
Types of accounts managed	CGJ
No. of portfolio managers	14

Equitable Real Estate Investment Management Inc., a real estate manager, acquires ownership and debt positions in diversified, quality, well-located properties with the potential for growth in rental income and value appreciation.

The separate account asset mix Jan. 1 was 64% equity real estate and 36% mortgages.

U.S. tax-exempt clients include Brown Group, ITT, Federal-Mogul and Louisiana State Retirement System.

The parent is Equitable Life Assurance Society of the United States.

W. Bruce Moulthrop, senior executive vice president, is chief investment officer; Paul J. Dolinoy, executive vice president, is client contact.

Equitec Institutional Realty Advisers Inc.

7677 Oakport St., Oakland, Calif. 94614; (415) 430-9900

Total assets managed	$1,400,000,000
Tax-exempt assets managed:	
Total	$200,000,000
Pooled accounts	$180,000,000
Separate accounts	$20,000,000
Equity real estate assets	$200,000,000
Minimum separate account	$20,000,000
Tax-exempt clients:	
Pooled	28
Separate	1
Types of accounts managed	CG

Equitec Institutional Realty Advisers Inc., a real estate manager, acquires and manages high-quality, income-producing commercial property. Properties are liquidated within five to 10 years, primarily on an all-cash basis.

All assets were in equity real estate Jan. 1.

The parent company is PacifiCorp.

Richard L. Saalfeld and Gayle L. Veber, chief executive officers of Equitec and PacifiCorp, respectively, are chief investment officers; Don Jackson, president of Equitec, is client contact.

Equity Investment Corp.

2900 Paces Ferry Road, Suite C-100, Atlanta, Ga. 30339; (404) 431-9735

Total assets managed	$10,000,000
Tax-exempt assets managed:	
Total	$3,000,000
Separate accounts	$3,000,000
Minimum separate account	$150,000
Tax-exempt clients	11
Types of accounts managed	CJ
No. of portfolio managers	1

Equity Investment Corp., an active equity manager, follows a strict investment discipline using a computerized valuation methodology based on principles espoused by W. Buffett. This methodology leads to the ownership of companies with high returns on equity, high growth, low debt and low p/es.

The asset mix Jan. 1 was 99.6% equities and 0.4% cash.

The firm follows 50 stocks closely and 3,500, generally; all research is generated internally.

James F. Barksdale, president, is chief investment officer and client contact.

Essex Investment Management Inc.

10 Post Office Square, Boston, Mass. 02109; (617) 482-4870

Total assets managed	$1,066,000,000
Tax-exempt assets managed:	
Total	$685,000,000
Separate accounts	$685,000,000
Minimum separate account	$5,000,000
Tax-exempt clients	58
Types of accounts managed	CEF
No. of portfolio managers	5
Size of research staff	8

Essex Investment Management Inc. is an active equity, active fixed-income and balanced manager.

Its equity approach emphasizes growth and small-cap stocks. Its fixed-income approach employs moderate market timing.

The asset mix Jan. 1 was 83% equity, 12% bonds and 5% cash.

Joseph C. McNay, president, is chief investment officer and client contact.

Estabrook Capital Management Inc.

430 Park Ave., New York, N.Y. 10022; (212) 319-4343

Total assets managed	$750,000,000
Tax-exempt assets managed:	
Total	$560,000,000
Separate accounts	$560,000,000
401(k)/457 assets managed	$20,000,000
No. of 401(k)/457 plans	8
Minimum separate account	$500,000
Tax-exempt clients	190
Types of accounts managed	CEFGJ
No. of portfolio managers	7

Estabrook Capital Management Inc. is an active equity, active fixed-income and balanced manager.

Its value approach to equities stresses selection based on projections of total return over a stock market cycle. Emphasis is on potential growth in earnings and dividends, underlying asset worth and fundamental value.

Its fixed-income approach uses interest rate anticipation, limiting investments to government and government-guaranteed issues and to corporates and municipals rated A or higher.

The asset mix Jan. 1 was 65% equity, 25% bonds and 10% cash.

Charles T. Foley, principal and managing director, is chief investment officer; William C. Petty III, principal, is client contact.

European & Pacific Investment Management

1100 Melville St., Suite 620, Vancouver, British Columbia V6E 4A6; (604) 687-7306

See entry for AMI ASSET MANAGEMENT INTERNATIONAL INC.

Evans & Moxon Capital Management Inc.

19 S. Main St., Yardley, Pa. 19067; (215) 493-0500

Total assets managed	$294,000,000
Tax-exempt assets managed:	
Total	$277,000,000
Separate accounts	$277,000,000
Mortgage-backed assets	$6,000,000
Minimum separate account	$5,000,000
Tax-exempt clients	20
Types of accounts managed	CEFG
No. of portfolio managers	2
Size of research staff	1

Evans & Moxon Capital Management Inc. is an active equity, active fixed-income, balanced and short-term manager.

Its equity approach emphasizes midsize growth companies ($100 million to $1.5 billion) within industries experiencing above-average growth. In fixed-income, the firm uses yield curve and yield spread analysis to try to outperform the market by 2% to 3% annually.

The asset mix Jan. 1 was 60% stocks, 13% bonds, 25% cash and 2% mortgage-backed securities.

U.S. tax-exempt clients include the University of North Carolina-Chapel Hill, Scott Paper, Pennsylvania Public Schools and Children's Hospital of Philadelphia.

John S. Moxon, president, is chief investment officer and client contact.

Evergreen Asset Management Inc.

2601 Columbia Center, Seattle, Wash. 98104; (206) 382-6660

Total assets managed	$33,000,000
Tax-exempt assets managed:	
Total	$33,000,000
Pooled accounts	$13,000,000
Separate accounts	$20,000,000
Minimum separate account	$500,000
Tax-exempt clients:	
Pooled	15
Separate	1
Types of accounts managed	J
No. of portfolio managers	1

Evergreen Asset Management Inc. is a cash manager, using a one- to three-year maturity structure, which is determined through interest rate anticipation and sector analysis.

All assets were in cash Jan. 1.

U.S. tax-exempt clients include Carpenters Trusts of Western Washington and Krehbiel & Hubbard Inc.

Elana D. Russell, president, is chief investment officer and client contact.

Excalibur Management

121 High St., Boston, Mass. 02110; (617) 451-6707

Total assets managed	$235,000,000
Tax-exempt assets managed:	
Total	$71,000,000
Separate accounts	$71,000,000
Minimum separate account	$1,000,000
Tax-exempt clients	41
Types of accounts managed	CEFG
No. of portfolio managers	4

Excalibur Management is an active fixed-income and balanced manager.

A top-down monetary/economic analysis guides the asset allocation among stocks, bonds and cash equivalents. Appropriate sectors and stock selection follow, focusing on growth and emerging growth stocks. Its fixed-income approach is based on interest rate anticipation, with investments focused on the most attractive area of the yield curve relative to rate trends.

The asset mix Jan. 1 was 30% stocks, 35% bonds and 35% cash.

Michael A. Delduchetto is chief investment officer; John K. Beeten is client contact.

Exchange National Bank of Chicago

120 S. LaSalle St., Chicago, Ill. 60603-3499; (312) 781-8000

Total assets managed	$267,000,000
Tax-exempt assets managed:	
Total	$214,000,000
Commingled accounts	$5,000,000
Separate accounts	$209,000,000
401(k)/457 assets managed	$7,000,000
No. of 401(k)/457 plans	5
Mortgage-backed assets	$122,000,000
Equity indexed assets	$1,000,000
Minimum separate account	$250,000
Tax-exempt clients:	
Commingled	23
Separate	27
Types of accounts managed	CF
No. of portfolio managers	1
Size of research staff	2

Exchange National Bank of Chicago is an active and passive equity, active and passive fixed-income, balanced and short-term manager.

The bank's index fund invests in a broadly based, highly diversified index. Actively managed investments are based on a flexible value determination approach, emphasizing fundamental analysis. Its fixed-income approach uses sector analysis to take advantage of market inefficiencies. Investments are concentrated in government and agency instruments.

The asset mix Jan. 1 was 20% stocks, 65% bonds and 15% cash.

The parent is Exchange Bancorp Inc.

Thomas C. Heagy, executive vice president, is chief investment officer; Gregory R. Beard, senior vice president, is client contact.

F

FASCO

790 New York Ave., Huntington, N.Y. 11743; (516) 547-0900

Total assets managed	$25,000,000
Tax-exempt assets managed:	
Total	$15,000,000
Separate accounts	$15,000,000
401(k)/457 assets managed	$200,000
No. of 401(k)/457 plans	2
International equity assets	$4,000,000
Minimum separate account	$25,000
Tax-exempt clients	100
Types of accounts managed	CE
No. of portfolio managers	1
Size of research staff	2

FASCO is a passive equity, balanced and short-term manager.

The firm follows a conservative asset allocation approach using no-load mutual funds.

The asset mix Jan. 1 was 50% stocks, 35% bonds and 15% cash.

The parent is F.A. Spina & Co. Inc.

Frank A. Spina, chairman, is chief investment officer; Ed Perez, vice president-marketing, is client contact.

Federated Investment Counseling Inc.

Federated Investors Tower, Pittsburgh, Pa. 15222-3779; (412) 288-6588

Total assets managed	$714,000,000
Tax-exempt assets managed:	
Total	$678,000,000
Pooled accounts	$24,000,000
Separate accounts	$654,000,000
401(k)/457 assets managed	$17,000,000
No. of 401(k)/457 plans	15
Minimum separate account	$10,000,000
Tax-exempt clients:	
Pooled	18
Separate	35
Types of accounts managed	CEFJG
No. of portfolio managers	6
Size of research staff	3

Federated Investment Counseling Inc. is an active equity, active fixed-income and balanced manager.

Its value-oriented equity approach focuses on large-cap, high-quality stocks with a moderate asset allocation decision. Its fixed-income approach uses interest rate anticipation. Accounts are managed with a duration target and a government/corporate upgrade/downgrade decision.

The asset mix Jan. 1 was 40% stocks, 42% bonds and 18% cash.

U.S. tax-exempt clients include Titanium Metal, Whitman, M.A. Hanna and Sterling Drug.

Henry J. Gailliot, president, is chief investment officer; James H. O'Leary, vice president, is client contact.

Fenimore Asset Management Inc.

118 N. Grand St., P.O. Box 310, Cobleskill, N.Y. 12043; (518) 234-4393

Total assets managed	$57,000,000
Tax-exempt assets managed:	
Total	$18,000,000
Separate accounts	$18,000,000
Tax-exempt clients	193
Types of accounts managed	CF
No. of portfolio managers	2

Fenimore Asset Management Inc. is a passive equity, passive fixed-income and balanced manager.

Its equity approach is value oriented, using quantitative techniques and focusing on growth stocks. Its fixed-income approach uses interest rate anticipation, investing in bonds with A or better ratings and with a three- to five-year maturity.

The asset mix Jan. 1 was 90% stocks and 10% cash.

Thomas O. Putnam, president, is chief investment officer; Mr. Putnam and Diane C. Van Buren, investment management associate, are client contacts.

Ferguson Investment Consultants Inc.

528 Bellwood Ave., North Tarrytown, New York 10591; (914) 631-7188

Total assets managed	$4,000,000
Tax-exempt assets managed:	
Total	$1,000,000
Separate accounts	$1,000,000
Minimum separate account	$100,000
Tax-exempt clients	8
Types of accounts managed	C
No. of portfolio managers	1

Ferguson Investment Consultants Inc. is an active equity and active fixed-income manager.

Its equity approach is based on fundamental, value-oriented analysis combined with quantitative inputs.

Its fixed-income approach is based on risk/return analysis from long-term interest rate trends. The firm evaluates quality and corporate liquidity to assess the attractiveness of higher yielding securities.

The asset mix Jan. 1 was 42% stocks, 36% bonds and 22% cash.

Douglas E. Ferguson, president, is chief investment officer and client contact.

Ferguson & Wellman Inc.

1001 S.W. Fifth Ave., Suite 1919, Portland, Ore. 97204; (503) 226-1444

Total assets managed	$620,000,000
Tax-exempt assets managed:	
Total	$540,000,000
Separate accounts	$540,000,000
Dedicated/immunized assets	$15,000,000
Minimum separate account	$1,000,000
Tax-exempt clients	125
Types of accounts managed	CEFJG
No. of portfolio managers	6

Ferguson & Wellman Inc. is an active and passive equity, active and passive fixed-income, balanced and short-term manager.

Its primary equity approach is disciplined, using Graham & Dodd principles, low p/e stocks and sector rotation. Value is emphasized, focusing on companies with a potential for earnings growth and dividend increases.

Its primary fixed-income approach uses interest rate anticipation and sector analysis, with portfolios structured to emphasize maturities, relative value between sectors and quality levels.

The tax-exempt asset mix as of Jan. 1 was 42% stocks, 54% bonds and 4% cash.

H. Joseph Ferguson, president, and Norbert J. Wellman, chairman, are chief investment officers; James H. Rudd, executive vice president, is client contact.

F.I.A. Associates

1601 Response Road, Suite 300,
Sacramento, Calif. 95815; (916)
920-4051

Total assets managed	$1,961,000,000
Tax-exempt assets managed	
Total	$1,961,000,000
Pooled accounts	$102,000,000
Separate accounts	$1,859,000,000
Equity real estate assets	$1,080,000,000
Mortgage assets	$881,000,000
Minimum separate account	$50,000,000
Tax-exempt clients	
Separate	4
Types of accounts managed	G

F.I.A. Associates, a real estate manager, takes a conservative approach favoring up-and-going properties and emphasizing return on investment; appreciation is secondary. Values are enhanced through intensive asset management.

The asset mix Jan. 1 was 55% equity real estate and 45% mortgages.

The parent is MeraBank.

U.S. tax-exempt clients include California Public Employees, Texas Teachers, Utah State Retirement and Sacramento County Employees.

Stephen A. Rosenthal, executive vice president, is chief investment officer; Winston H. Hickox, executive vice president, is client contact.

Fidelity International Investment Advisors Ltd.

111 Devonshire St. A9, Boston, Mass.
02109; (617) 570-6330

Total assets managed	$2,000,000,000
Tax-exempt assets managed	
Total	$1,300,000,000
Separate accounts	$1,300,000,000
International equity assets	$1,235,000,000
International cash assets	$65,000,000
Minimum separate account	$20,000,000
Tax-exempt clients	15
Types of accounts managed	CG
No of portfolio managers	14
Size of research staff	25

Fidelity International Investment Advisors Ltd., an active international equity manager, takes a value-oriented approach emphasizing local market conditions.

The asset mix Jan. 1 was 95% stocks and 5% cash.

The firm follows 1,000 stocks generally; 50% to 75% of research is generated internally.

The parent is Fidelity International Ltd.

U.S. tax-exempt clients include GM, PacTel and California Public Employees.

Walter L. Downey, president, is chief investment officer; William B. Fink, senior vice president, is client contact.

Fidelity Management & Research Co.

82 Devonshire St., Boston, Mass.
02109; (617) 570-5092

Total assets managed	$72,000,000,000
Tax-exempt assets managed	$22,000,000,000
401(k)/457 assets managed	$10,000,000,000
No. of 401(k)/457 plans	1,500
Types of accounts managed	CEFJG
No. of portfolio managers	50
Size of research staff	82

Fidelity Management & Research Co. is an equity, fixed-income, international and GIC manager.

The asset mix Jan. 1 was 40% stocks, 20% bonds, 10% cash and 30% GICs.

J. Gary Burkhead, president, is chief investment officer; James V. Bowhers, senior vice president, is client contact.

Fidelity Management Trust

82 Devonshire St., Boston, Mass.
02109; (617) 570-6529

Total assets managed	$7,781,000,000
Tax-exempt assets managed:	
Total	$7,451,000,000
Commingled accounts	$1,739,000,000
Separate accounts	$5,712,000,000
401(k)/457 assets managed	$198,000,000
No. of 401(k)/457 plans	1
International equity assets	$62,000,000
International fixed-income assets	$1,000,000
International cash assets	$5,000,000
Fixed-income indexed assets	$383,000,000
Dedicated/immunized assets	$243,000,000
Minimum separate account	$25,000,000
Tax-exempt clients:	
Commingled	34
Separate	66
Types of accounts managed	CEFJG

Fidelity Management Trust Co. is an active equity, active and passive fixed-income, balanced and active international equity manager.

Its equity approach is value and yield oriented. It offers five equity disciplines: income-managed; earnings growth; overseas; structured; and special. In fixed-income, it offers three styles: high yield; structured; and dynamic maturity allocation.

Options and fixed-income futures are used.

The asset mix Jan. 1 was 76.4% stocks, 20% bonds and 3.6% cash.

The parent is FMR Corp.

U.S. tax-exempt clients include Ford, Eastman Kodak, Illinois Municipal and GM.

Richard T. O'Rourke and William L. Nemerever, executive vice presidents, are chief investment officers; R. Reuel Stanely, senior vice president, is client contact.

Directory of international managers: June 26.

Fiduciary Capital Management Inc.

51 Sherman Hill Road, Cornerstone
Professional Park, Suite A-204, Box
893, Woodbury, Conn. 06798; (203)
266-0440

Total assets managed	$250,000,000
Tax-exempt assets managed	
Total	$250,000,000
Pooled accounts	$10,000,000
Separate accounts	$240,000,000
401(k)/457 assets managed	$230,000,000
No. of 401(k[illegible]lans	10
Minimum sepa[illegible]nt	$10,000,000
Tax-exempt clien[illegible]	
Pooled	39
Separate	4
Types of accounts managed	C
No. of portfolio managers	3
Size of research staff	2

Fiduciary Capital Management Inc. applies traditional bond management techniques to GIC portfolios. Quality assessment, diversification and duration management are designed to capitalize on market inefficiencies and manage interest rate exposure and reinvestment risk. The firm acts as adviser to an additional $650 million in tax-exempt assets.

The asset mix Jan. 1 was 100% GICs.

Peter E. Bowles, president, is chief investment officer; Robert A. Madore, principal, is client contact.

Fiduciary Counsel Inc.

40 Wall St., New York, N.Y. 10005;
(212) 344-6400

Total assets managed	$500,000,000
Tax-exempt assets managed	
Total	$35,000,000
Separate accounts	$35,000,000
Minimum separate account	$1,000,000
Tax-exempt clients	30
Types of accounts managed	CEF
No. of portfolio managers	5
Size of research staff	4

Fiduciary Counsel Inc. is an active and passive equity, passive fixed-income and balanced manager.

Its equity approach uses Graham & Dodd principles, sector rotation and market timing to invest in growth or emerging growth stocks with a lower than average p/e.

The asset mix Jan. 1 was 60% stocks, 25% bonds and 15% cash.

The parent is Associated Family Services Inc.

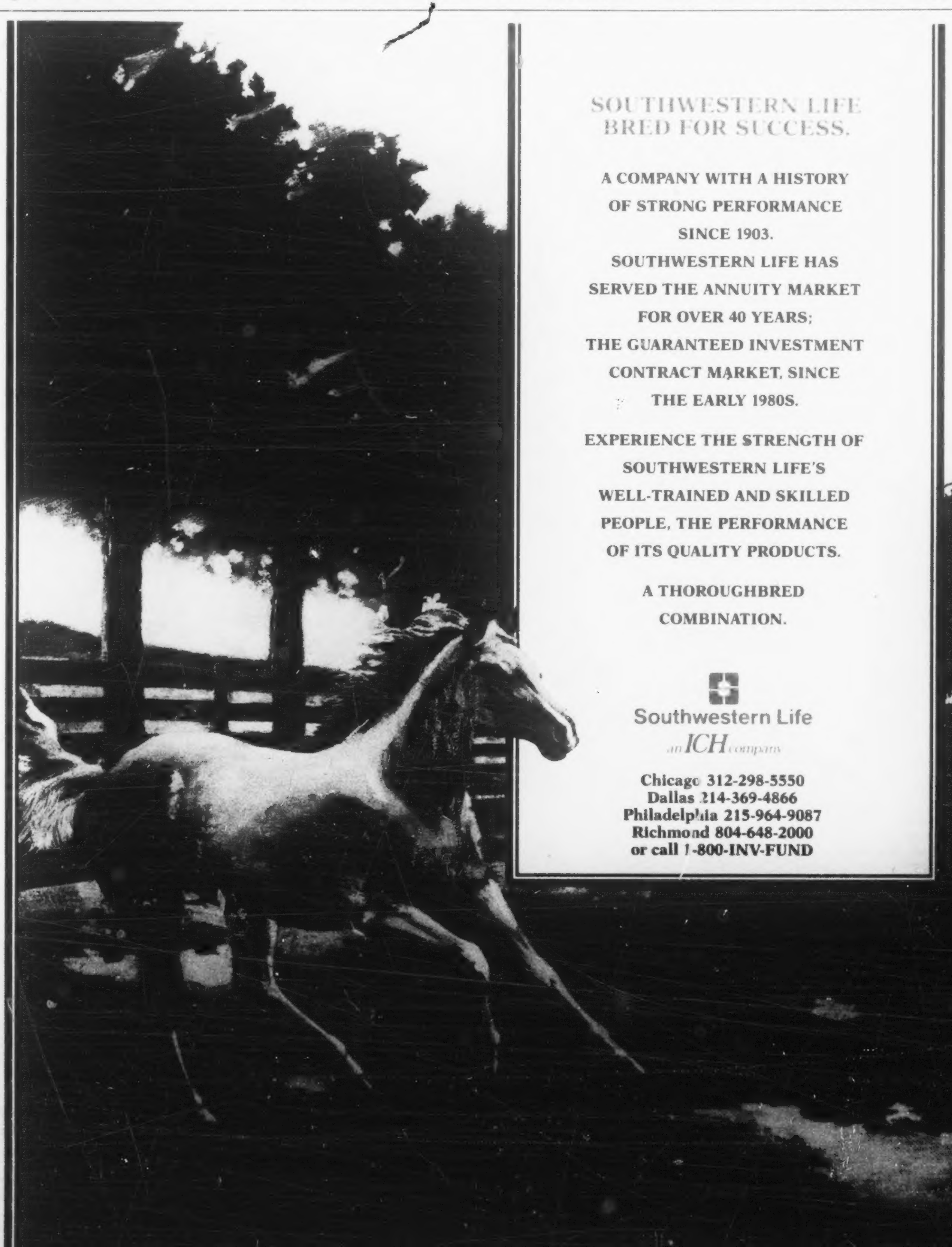
Andrew E. Beer, president, is chief investment officer; Jack Orben, chairman, and Annmarie C. Volpe, marketing manager, are client contacts.

Fiduciary Management Inc. of Milwaukee

225 E. Mason, Milwaukee, Wis.
53202; (414) 226-4545

Total assets managed	$403,000,000
Tax-exempt assets managed	$312,000,000
Minimum separate account	$2,000,000
Tax-exempt clients	102
Types of accounts managed	CEF[illegible]G
No. of portfolio managers	3
Size of research staff	3

Fiduciary Management Inc. of Milwaukee is an equity, balanced and no-load mutual fund manager.



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Philadelphia 215-964-9087
Richmond 804-648-2000
or call 1-800-INV-FUND

Its equity approach is growth oriented with a value overlay (emphasizing balance sheet analysis), stressing low p/e ratios relative to company growth rates. A bottom-up selection process is used, emphasizing companies with capitalization below the major market averages.

In balanced accounts, the fixed-income approach uses interest rate anticipation, emphasizing capital preservation. Government issues are primarily used, with maturities not exceeding 10 years.

The firm generates 75% of research internally.

Ted D. Kellner is chief investment officer; Gary G. Wagner is client contact.

Fiduciary Management Associates

55 W. Monroe St., Suite 2550,
Chicago, Ill. 60603; (312) 930-6850

Total assets managed	$810,000,000
Tax-exempt assets managed	
Total	$710,000,000
Separate accounts	$710,000,000
Mortgage-backed assets	$10,000,000
Minimum separate account	$3,000,000
Tax-exempt clients	95
Types of accounts managed	CEFJG
No. of portfolio managers	6
Size of research staff	2

Fiduciary Management Associates is an active equity, active fixed-income and balanced manager.

Emphasizing growth and low p/e stocks and sector rotation, it is a top-down, macroeconomic equity manager, investing in well-managed, value-oriented companies.

Basing its fixed-income approach on interest rate anticipation and sector analysis, it uses top-down management, varying sector exposure and taking advantage of interest rate changes and yield spread variations.

The asset mix Jan. 1 was 52% stocks, 28% bonds, 18% cash and 2% mortgage-backed securities.

The parent is United Asset Management.

Philip E. Arnold is chief investment officer; Robert F. Carr III is client contact.

Fiduciary Trust Co. International

2 World Trade Center, New York, N.Y.
10048; (212) 466-4100

Total assets managed	$8,868,000,000
Tax-exempt assets managed	
Total	$5,495,000,000
Commingled accounts	$111,000,000
Separate accounts	$5,384,000,000
401(k)/457 assets managed	$72,000,000
No. of 401(k)/457 plans	4
Mortgage-backed assets	$960,000,000
International equity assets	$2,130,000,000
International bond assets	$2,095,000,000
Fixed-income indexed assets	$310,000,000
Minimum separate account	$3,000,000
Tax-exempt clients:	
Commingled	6
Separate	192
Types of accounts managed	CEFJG
No. of portfolio managers	42
Size of research staff	13

Fiduciary Trust Co. International is an active equity, active fixed-income, balanced, active international equity, active international fixed-income and short-term manager.

Its primary equity approach takes a longer term, fundamentally oriented focus that seeks to invest in companies with extraordinary operating results and p/e leverage potential. It stresses early identification of secular and cyclical changes that will benefit industries or companies. Convertible securities are used to provide yield support and to control volatility. Options are used.

Fixed-income guidelines, such as sector weighting and maturity/duration, are determined weekly through a top-down process that relies heavily on trend analysis of major factors affecting rates, most notably inflation, monetary and fiscal policy, and economic growth rates.

The asset mix Jan. 1 was 22% stocks, 68% bonds and 10% cash.

Jeremy H. Biggs is chief investment officer; George J. Mullen, senior vice president, is client contact.

Key to abbreviations

C: Corporate
E: Educational endowment
F: Private foundation
G: U.S. state/local gov't
J: Jointly trusteed
P: Canadian provincial gov't
U: Unions (Canadians only)

The Fifth Third Bank

38 Fountain Square Plaza, Cincinnati,
Ohio 45263; (513) 579-4314

Total assets managed	$4,200,000,000
Tax-exempt assets managed	
Total	$1,518,000,000
Commingled accounts	$286,000,000
Separate accounts	$1,232,000,000
401(k)/457 assets managed	$36,000,000
No. of 401(k)/457 plans	131
Minimum separate account	$1,000,000
Tax-exempt clients	870
Types of accounts managed	CEFG
No. of portfolio managers	13

The Fifth Third Bank is an active equity, active fixed-income, balanced, convertible and GIC manager.

Its equity approach is bottom-up and value oriented, emphasizing low p/e stocks. Its fixed-income approach is to minimize total portfolio volatility. Portfolios consist of about 60% Treasury/agency securities with maturities of five to seven years, a minimum quality of A and a weighted average quality of AA.

The asset mix Jan. 1 was 65% stocks, 30% bonds and 5% cash.

The parent is Fifth Third Bancorp.

U.S. tax-exempt clients include Cincinnati Gas & Electric, Sisters of Mercy-Cincinnati, Children's Hospital Research Foundation and IBEW.

P. Michael Brumm, senior vice president, is chief investment officer; Marilyn J. Osborn, vice president, is client contact.

Financial Aims Corp.

P.O. Box 5015, Great Falls, Mont.
59403; (406) 727-6111

Total assets managed	$110,000,000
Tax-exempt assets managed:	
Total	$55,000,000
Separate accounts	$55,000,000
401(k)/457 assets managed	$12,000,000
No. of 401(k)/457 plans	3
Minimum separate equity account	$200,000
Tax-exempt clients	82
Types of accounts managed	CEF
No. of portfolio managers	2
Size of research staff	2

Financial Aims Corp. is an active equity, active and passive fixed-income, balanced and short-term manager.

Its equity approach uses macro- and microanalysis. The macroanalysis relies on some quantitative measurements; the micro approach is value determinant, relying on price-earnings and price-sales confirmation in addition to Z-score. In fixed-income, it varies maturities based on economic and interest rate forecasts.

The asset mix Jan. 1 was 50% stocks, 40% bonds and 10% cash.

The parent is DADCO Inc.

William S. Macfadden Jr. is chief investment officer and client contact.

Financial Trust Co.

7800 E. Union Ave., Denver, Colo.
80231; (303) 779-0731

Total assets managed	$197,000,000
Tax-exempt assets managed:	
Total	$195,000,000
Separate accounts	$195,000,000
Minimum separate account	$1,000,000
Tax-exempt clients	8
Types of accounts managed	CFJ
No. of portfolio managers	4
Size of research staff	7

Financial Trust Co. is an active equity, active fixed-income, balanced and strategic asset allocation manager.

Its equity approach is value oriented and sector rotational. The focus of its defensive equity portfolios is on achieving absolute rates of return through strategic asset allocation.

The primary approach used in managing its high-yield fixed-income portfolios emphasizes thorough research to identify credit strength, improving earnings and balance sheets.

The asset mix Jan. 1 was 60%

stocks, 28% bonds and 12% cash.

The parent is Britannia Arrow Holding PLC.

R. Dalton Sim is senior vice president and chief investment officer; James N. Hirschmann, vice president and director of marketing, is client contact.

Fine Capital Management Group Inc.

7777 Glades Road, Suite 200, Boca
Raton, Fla. 33434; (407) 479-2884

Total assets managed	$28,000,000
Tax-exempt assets managed	
Total	$16,000,000
Separate accounts	$16,000,000
Minimum separate account	$500,000
Tax-exempt clients	17
Types of accounts managed	CFG
No. of portfolio managers	2

Fine Capital Management Group Inc. is an active equity, active and passive fixed-income and balanced manager.

Its primary equity approach focuses on medium- to large-cap stocks and emphasizes accelerating earnings growth and price momentum vs. the S&P 500. Technical analysis is used for asset allocation and risk control.

Using interest rate anticipation and sector analysis, fixed-income investments generally are in government and agency issues with the maturity structure based on the shape of the yield curve.

The asset mix Jan. 1 was 56% stocks, 30% bonds and 14% cash.

Norman D. Fine, president, is chief investment officer and client contact.

First Asset Management

First Bank Place East, Minneapolis,
Minn. 55480; (612) 370-4479

Total assets managed	$2,922,000,000
Tax-exempt assets managed	
Total	$2,852,000,000
Pooled accounts	$1,154,000,000
Separate accounts	$1,698,000,000
Equity real estate assets	$80,000,000
Mortgage-backed assets	$100,000,000
Equity indexed assets	$35,000,000
Dedicated/immunized assets	$50,000,000
Minimum separate account	$5,000,000
Tax-exempt clients:	
Pooled	24
Separate	118
Types of accounts managed	CEFJ
No. of portfolio managers	10
Size of research staff	2

First Asset Management is primarily a balanced manager with separate equity, fixed-income and real estate management also available.

Its equity approach uses sector rotation with a value bias. Selection of industries and securities is based on its economic forecast, a return-on-equity model and a fair value model.

Its fixed-income strategy centers around fundamental interest rate forecasting within a framework for measuring and controlling both systematic and specific risk in the portfolio.

Its real estate approach is to select properties whose values can be enhanced through aggressive management and additional capital.

Options and stock index futures are used.

The asset mix Jan. 1 was 33% stocks, 35% bonds, 30% cash and 2% equity real estate.

The parent is the First Bank System.

John M. Murphy Jr., managing director, is chief investment officer; Kevin S. Underkofler, marketing director, is client contact.

First Bank Milwaukee

201 W. Wisconsin Ave., Milwaukee,
Wis. 53259; (414) 227-5839

Total assets managed	$305,000,000
Tax-exempt assets managed:	
Total	$193,000,000
Commingled accounts	$35,000,000
Separate accounts	$158,000,000
401(k)/457 assets managed	$25,000,000
No. of 401(k)/457 plans	35
Equity real estate assets	$2,000,000
Mortgage-backed assets	$49,000,000
Minimum separate account	$150,000
Tax-exempt clients:	
Commingled	117
Separate	278
Types of accounts managed	CFJ
No. of portfolio managers	3

First Bank Milwaukee is an active and passive equity, active and passive fixed-income, balanced, tactical asset allocation and real estate manager.

Its equity approach is quantitative, using a blend of key variables. Its fixed-income approach is based on interest rate anticipation and sector analysis.

The asset mix Jan. 1 was 20% stocks, 20% bonds, 39% cash, 1% equity real estate and 20% mortgage-backed securities.

The parent is First Bank System.

Richard R. Jandrain is chief investment officer; Merl B. Case, vice president-marketing, is client contact.

First Boston Asset Management

12 E. 49th St., New York, N.Y. 10017;
(212) 909-4525

Total assets managed	$4,500,000,000
Tax-exempt assets managed:	
Total	$323,000,000
Separate accounts	$323,000,000
Mortgage-backed assets	$94,000,000
Minimum separate account	$25,000,000
Tax-exempt clients	5
Types of accounts managed	CEFG
No. of portfolio managers	5
Size of research staff	8

First Boston Asset Management is an active and passive equity, active and passive fixed-income and balanced manager.

Its active equity approach targets growth stocks, applying quantitative technologies to identify value, focusing on revenue growth and earnings momentum.

Its active fixed-income approach, also quantitative, uses intensive research of high-yield bonds. Interest rate anticipation and sector analysis are used.

The asset mix Jan. 1 was 10% equity, 85% bonds and 5% cash.

The parent is First Boston Corp.

Michael Holland, president, is chief investment officer; Donald J. McDonough Jr. is client contact.

First Chicago Investment Advisors

3 First National Plaza, Chicago, Ill.
60670; (312) 732-4100

Total assets managed	$11,013,000,000
Tax-exempt assets managed:	
Total	$10,594,000,000
Pooled accounts	$2,999,000,000
Separate accounts	$7,595,000,000
401(k)/457 assets managed	$363,000,000
No. of 401(k)/457 plans	16
Equity real estate assets	$914,000,000
International equity assets	$1,008,000,000
International bond assets	$1,560,000,000
Equity indexed assets	$114,000,000
Dedicated/immunized assets	$196,000,000
Minimum separate account	$5,000,000
Tax-exempt clients	419
Types of accounts managed	CEFJG
No. of portfolio managers	10
Size of research staff	81

First Chicago Investment Advisors, in addition to global asset allocation portfolios, also manages domestic equity, dollar and non-dollar bonds, international equity, real estate and venture capital.

Its equity approach is value-oriented, based on fundamental research. It identifies mispriced securities in shifting market environments, selecting stocks within the context of disciplined judgments on market timing, sector exposures and industry.

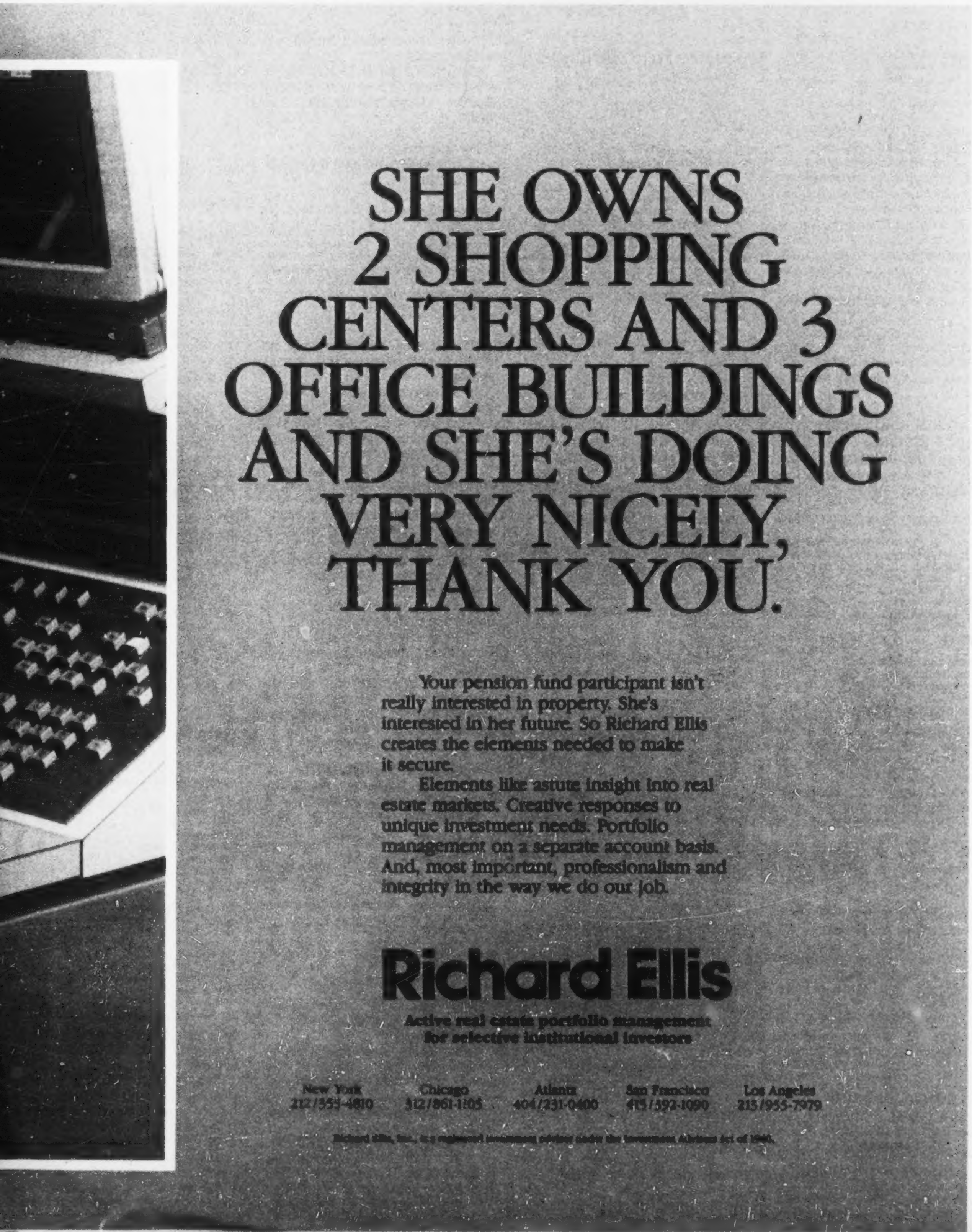
For fixed-income, a portfolio's interest rate, yield curve, quality/sector and issue-specific exposures are managed to outperform a selected benchmark during an interest rate cycle.

Its real estate approach focuses on building core portfolios of general purpose properties in proven markets diversified by type and region. On April 3, the firm formed an affiliation with JMB Institutional Realty to act as the investment adviser for FCIA's real estate portfolios.

The asset mix Jan. 1 was 21% stocks, 25% bonds, 15% cash, 9% equity real estate, 10% international stock, 15% international bonds and 5% venture capital.

The parent is First Chicago Corp.

Gary P. Brinson is president and chief investment officer; Edward C.


SHE OWNS 2 SHOPPING CENTERS AND 3 OFFICE BUILDINGS AND SHE'S DOING VERY NICELY, THANK YOU.

Your pension fund participant isn't really interested in property. She's interested in her future. So Richard Ellis creates the elements needed to make it secure.

Elements like astute insight into real estate markets. Creative responses to unique investment needs. Portfolio management on a separate account basis. And, most important, professionalism and integrity in the way we do our job.

Richard Ellis

Active real estate portfolio management
for selective institutional investors

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Atlanta 404/231-0400
San Francisco 415/392-1090
Los Angeles 213/955-7979

Richard Ellis, Inc., is a registered investment advisor under the Investment Advisers Act of 1940.

Hamill, managing director, is client contact.

First Fidelity Bancorporation

765 Broad St., Newark, N.J. 07102;
(201) 565-1872

Total assets managed	$12,600,000,000
Tax-exempt assets managed	
Total	$4,531,000,000
Commingled accounts	$391,000,000
Separate accounts	$4,140,000,000
401(k)/457 assets managed	$170,000,000
No. of 401(k)/457 plans	25
Equity real estate assets	$45,000,000
Mortgage assets	$62,000,000
Mortgage-backed assets	$200,000,000
Dedicated/immunized assets	$5,000,000
Minimum separate account	$1,000,000
Tax-exempt clients	
Commingled	1,420
Separate	1,200
Types of accounts managed	CEFJG
No. of portfolio managers	17
Size of research staff	16

First Fidelity Bancorporation is an active and passive equity, active and passive fixed-income, balanced and passive international fixed-income manager.

Its value-oriented active equity approach follows a highly disciplined model concerning economic indicators; growth stocks with low p/e ratios are targeted. Its active fixed-income approach uses interest rate anticipation. Aggressive management uses strict economic disciplines to determine maturity and duration. Options are used.

Its real estate approach focuses on equity-oriented investments to provide a fixed rate of return plus significant participation in increased property, cash flows and appreciated value.

The asset mix Jan. 1 was 40% stocks, 38% bonds, 15% cash, 1% equity real estate, 1% mortgages and 5% mortgage-backed securities.

Antony Edgar, executive vice president, is chief investment officer; Michael B. Watson, senior vice president, is client contact.

First Interstate Bank of Arizona

100 W. Washington, Phoenix, Ariz.
85003; (602) 271-1585

Total assets managed	$2,300,000,000
Tax-exempt assets managed	
Total	$300,000,000
Commingled accounts	$81,000,000
Separate accounts	$219,000,000
401(k)/457 assets managed	$19,000,000
No. of 401(k)/457 plans	28
Equity real estate assets	$3,000,000
Mortgage assets	$7,000,000
Mortgage-backed assets	$2,000,000
Minimum separate account	$300,000
Tax-exempt clients:	
Pooled	219
Separate	181
Types of accounts managed	CEFJ
No. of portfolio managers	13

First Interstate Bank of Arizona is an active equity, active fixed-income, balanced and short-term manager.

Its equity approach is to buy stocks, at reasonable prices, of companies with a consistent record of above-average increases in earnings and dividends. Its fixed-income approach emphasizes construction of a high-quality conservative portfolio that produces a predictable income stream and low portfolio turnover.

The asset mix Jan. 1 was 39% stocks, 50% bonds, 6% cash, 1% equity real estate, 3% mortgages and 1% mortgage-backed securities.

The parent is First Interstate Bancorp.

Robert L. Mueller, senior vice president, is chief investment officer; Richard A. Malcomson, vice president, is client contact.

First Interstate Bank of California

707 Wilshire Blvd. W9-1, Los Angeles,
Calif. 90017; (213) 612-3006

Total assets managed	$2,858,000,000
Tax-exempt assets managed:	
Total	$2,202,000,000
Commingled accounts	$991,000,000
Separate accounts	$1,211,000,000
401(k)/457 assets managed	$306,000,000
No. of 401(k)/457 plans	52
Real estate equity assets	$16,000,000
Mortgage-backed assets	$22,000,000
International equity assets	$5,000,000
Equity indexed assets	$58,000,000
Fixed-income indexed assets	$84,000,000
Minimum separate account	$5,000,000
Tax-exempt clients:	
Commingled	280
Separate	18
Types of accounts managed	CFGJ
No. of portfolio managers	5
Size of research staff	2

First Interstate Bank of California is an equity, fixed-income, balanced and GIC manager using both active and passive methodologies.

Its active equity approach uses quantitative techniques and low p/e stocks; its active fixed-income approach uses interest rate anticipation and sector analysis.

The asset mix Jan. 1 was 40% stocks, 8% bonds, 40% cash, 1% equity real estate, 1% mortgage-backed securities and 10% GICs.

The parent is First Interstate Bancorp.

Alan R. Adelman, vice president and manager-institutional investment management, is chief investment officer; Deborah Dilley, vice president and marketing manager, is client contact.

First Interstate Bank of Denver

633 17th St., Denver, Colo. 80270;
(303) 293-5742

Total assets managed	$1,700,000,000
Tax-exempt assets managed	$0
Minimum separate account	$250,000
No. of portfolio managers	3
Size of research staff	18

First Interstate Bank of Denver is an active equity, active fixed-income, balanced and short-term manager.

Its equity approach uses growth and low p/e stocks. Its fixed-income approach uses sector analysis.

Denver Investment Advisors Inc., a subsidiary of the bank that is profiled elsewhere in this issue, manages $661 million from 170 tax-exempt clients on behalf of the bank.

The parent is First Interstate Bancorp.

Kenneth Penland, chairman and director of research for Denver Investment Advisors, is chief investment officer; John Resetarits, trust officer, is client contact.

First Interstate Bank of Oregon, Capital Management Group

1300 S.W. Fifth Ave., Portland, Ore.
97005; (503) 225-2379

Total assets managed	$2,200,000,000
Tax-exempt assets managed:	
Total	$1,124,000,000
Commingled accounts	$321,000,000
Separate accounts	$803,000,000
401(k)/457 assets managed	$50,000,000
No. of 401(k)/457 plans	100
Mortgage-backed assets	$60,000,000
Minimum separate account	$1,000,000
Tax-exempt clients:	
Commingled	190
Separate	122
Types of accounts managed	CEFGJ
No. of portfolio managers	12
Size of research staff	3

First Interstate Bank of Oregon, Capital Management Group is an active equity, passive fixed-income, balanced, active international equity and short-term manager.

Its equity approach uses stocks with very low p/es. Its portfolios are structured for low risk, low portfolio beta of 0.8 to 0.9, and high yield.

Its fixed-income approach focuses on the intermediate sector of the bond market. Average maturity ranges from five to 12 years.

The asset mix Jan. 1 was 30% stocks, 61% bonds and 9% cash.

U.S. tax-exempt clients include Niagara Mohawk Power, Northwest Natural Gas and Louisiana-Pacific.

The parent is First Interstate Bancorp.

Dennis Wood, vice president and manager, is chief investment officer; Jan Dawson, vice president, is client contact.

First Interstate Bank of Washington

P.O. Box 21927; Seattle, Wash.
98111; (206) 343-8346

Total assets managed	$2,900,000,000
Tax-exempt assets managed:	
Total	$860,000,000
Commingled accounts	$65,000,000
Separate accounts	$795,000,000
401(k)/457 assets managed	$16,000,000
No. of 401(k)/457 plans	45
Minimum separate account	$2,000,000
Tax-exempt clients	
Commingled	250
Separate	90
Types of accounts managed	CEFJ
No. of portfolio managers	9

First Interstate Bank of Washington is an active and passive equity, active and passive fixed-income, balanced, tactical asset allocation and short-term manager.

Its equity approach follows Graham & Dodd principles while emphasizing low volatility, high dividend yield, high EPS stability, industrial sector shifting and large-cap stocks, with moderate concentration in sectors or issues.

Its fixed-income approach emphasizes high credit quality and yield pick-up swapping, with moderate emphasis on laddered maturity shifting and sector shifting.

The asset mix Jan. 1 was 57% stocks, 40% bonds and 3% cash.

J. Clark Reardon, senior vice president and trust officer, is chief investment officer; Lawrence T. Divers, vice president and trust officer, is client contact.

First Interstate Trust Co. of Wisconsin

636 Wisconsin Ave., P.O. Box 171,
Sheboygan, Wis. 53082-0171; (414)
459-2070

Total assets managed	$495,000,000
Tax-exempt assets managed:	
Total	$185,000,000
Commingled accounts	$55,000,000
Separate accounts	$130,000,000
401(k)/457 assets managed	$20,000,000
No. of 401(k)/457 plans	29
Real estate equity assets	$1,000,000
Mortgage assets	$5,000,000
Mortgage-backed assets	$16,000,000
International equity assets	$2,000,000
Equity indexed assets	$3,000,000
Minimum separate account	$1,000,000
Tax-exempt clients:	
Commingled	130
Separate	332
Types of accounts managed	CEFJG
No. of portfolio managers	4
Size of research staff	2

First Interstate Trust Co. of Wisconsin is an active and passive equity, active and passive fixed-income, balanced and short-term manager.

For equity investments, it uses value and growth philosophies. Options are used. Its fixed-income approach uses interest rate anticipation and sector analysis, generally focusing on short to intermediate sectors.

The asset mix Jan. 1 was 30% stocks, 51% bonds, 6% cash, 1% equity real estate, 3% mortgages and 9% mortgage-backed securities.

The parent is First Interstate Bank of Wisconsin.

Michael J. Millhouse, vice president, is chief investment officer and client contact.

First Investment Management Corp.

120 N. Robinson Ave., Suite 860 W.,
Oklahoma City, Okla. 73102; (405)
272-4202

Total assets managed	$1,581,000,000
Tax-exempt assets managed:	
Total	$1,581,000,000
Pooled accounts	$97,000,000
Separate accounts	$1,484,000,000
401(k)/457 assets managed	$16,000,000
No. of 401(k)/457 plans	8
Mortgage-backed assets	$16,000,000
Minimum separate account	$1,000,000
Tax-exempt clients:	
Pooled	110
Separate	40
Types of accounts managed	CEFG
No. of portfolio managers	5
Size of research staff	3

First Investment Management Corp. is an active equity, active fixed-income, balanced, tactical asset allocation, short-term and convertible securities manager.

Its equity approach uses a multifactor decision framework incorporating value, earnings and price momentum components along with distinct buy, hold and sell decision rules for each equity sector.

Its fixed-income approach is based on adjusting maturities according to the expected trend in interest rates. The trend forecast is derived from an internally developed asset allocation framework.

The asset mix Jan. 1 was 24% stocks, 68% bonds, 7% cash and 1% mortgage-backed securities.

C. Lee Liscom is senior portfolio manager and chief investment officer; Richard H. Parry, senior portfolio manager-marketing, is client contact.

First Investors Asset Management Co.

120 Wall St., New York, N.Y. 10005;
(212) 208-6080

Total assets managed	$2,500,000,000
Tax-exempt assets managed:	
Total	$250,000,000
Separate accounts	$250,000,000
Minimum separate account	$5,000,000
Tax-exempt clients	10
Types of accounts managed	C
No. of portfolio managers	1
Size of research staff	5

First Investors Asset Management Co., an active fixed-income manager, uses fundamental credit analysis to select high-yield bonds for its conservatively managed, diversified portfolios. Fixed-income futures are used.

As of Jan. 1, all assets were in high-yield bonds.

The parent is First Investors Consolidated Corp.

Benalder Bayse Jr. is chief investment officer; Christopher J. Carey, director of marketing, is client contact.

First Kentucky Co.

P.O. Box 36010, Louisville, Ky. 40233;
(502) 581-7668

Total assets managed	$1,788,000,000
Tax-exempt assets managed:	
Total	$1,653,000,000
Separate accounts	$1,653,000,000
Dedicated/immunized assets	$11,000,000
Minimum separate account	$10,000,000
Tax-exempt clients	37
Types of accounts managed	CEFJG
No. of portfolio managers	5
Size of research staff	5

First Kentucky Co. is an active equity, active fixed-income and balanced manager.

Its equity approach focuses on financially sound companies that are undervalued as measured by high yield, low p/e or above-average growth potential in relation to price.

Its fixed-income approach continually repositions sectors (industries, qualities, maturities, coupon) while maintaining high-quality call-protected portfolios with effective duration plus or minus the index.

The asset mix Jan. 1 was 17% equity, 69% bonds and 14% cash.

The firm follows 60 stocks closely and 100, generally; 50% of the research is generated internally.

The parent is First Kentucky National Corp., a subsidiary of National City Corp.

William F. Chandler Jr., senior vice president, is chief investment officer; Irvin W. Quesenberry Jr., senior vice president, is client contact.

First Kentucky Trust Co.

First National Tower, P.O. Box 36010,
Louisville, Ky. 40232; (502)
581-4050

Total assets managed	$5,646,000,000
Tax-exempt assets managed:	
Total	$2,542,000,000
Commingled accounts	$230,000,000
Separate accounts	$2,312,000,000
Minimum separate account	$300,000
Tax-exempt clients:	
Commingled	1,200
Separate	100
Types of accounts managed	CEFJG
No. of portfolio managers	6
Size of research staff	5

First Kentucky Trust Co. is an active equity, active fixed-income and balanced manager.

Its equity approach uses a fully invested diversified portfolio chosen from four value screens: growth, high-yield, low p/e and low price-to-book with an emphasis on fundamental and valuation analysis.

Using sector analysis and within client guidelines, its fixed-income approach models the index bogey trading actively for incremental return maintaining high average quality, duration target and call protection.

25 largest equity index fund managers

Firm	$ mils.*
Wells Fargo	34,372
Bankers Trust	25,436
Mellon Capital	19,360
State Street Bank	11,920
ANB Investment	8,500
Alliance Capital	5,461
GE Investments	4,200
Dimensional Fund Advisors	3,556
Manufacturers Nat'l/Detroit	3,423
Wilshire Asset	2,609
Boston Co.	2,426
Chase Investors	2,300
Sears Investment	1,361
Pilgrim Baxter Greig	1,219
Northern Investment	1,019
Chancellor Capital	1,013
Prudential Asset	923
Axe-Houghton	682
Bernstein-Macaulay	600
BEA Associates	534
ASB Capital	450
Vanguard Group	436
NCNB Texas	401
Capstone Asset	400
Boatmen's Trust Co.	369
TOTAL	132,994

* discretionary, tax-exempt assets

The asset mix Jan. 1 was 53% stocks, 42% bonds and 5% cash.

The parent is National City Corp.

Stanley A. Rourke, senior vice president, is chief investment officer; John H. Yost, senior vice president, is client contact.

First Manhattan Capital Management

437 Madison Ave., New York, N.Y.
10022; (212) 832-4736

Total assets managed	$1,950,000,000
Tax-exempt assets managed	$1,950,000,000
Minimum separate account	$20,000,000
Tax-exempt clients	34
Types of accounts managed	CF
No. of portfolio managers	8
Size of research staff	13

First Manhattan Capital Management, an equity manager, emphasizes Graham & Dodd analysis and low p/e stocks in a bottom-up, risk-averse strategy. It buys companies with high returns on equity and low financial leverage at prices substantially below business values and holds positions for long-term results.

The asset mix Jan. 1 was 86% stocks and 14% cash.

The firm follows 600 stocks closely and 1,500, generally; 80% of research is generated internally.

The parent is First Manhattan Co.

David S. Gottesman, managing partner, and Robert M. Howitt, president, are chief investment officers; Gregory B. Densmore, vice president, is client contact.

First Maryland Asset Management

25 S. Charles St., Baltimore, Md.
21201; (301) 244-4323

Total assets managed	$1,300,000,000
Tax-exempt assets managed:	
Total	$627,000,000
Pooled accounts	$52,000,000
Separate accounts	$575,000,000
401(k)/457 assets managed	$22,000,000
No. of 401(k)/457 plans	26
Mortgage assets	$2,000,000
Mortgage-backed assets	$38,000,000
Minimum separate account	$500,000
Tax-exempt clients:	
Pooled	207
Separate	207
Types of accounts managed	CEFJG
No. of portfolio managers	7
Size of research staff	3

First Maryland Asset Management is an active equity, active fixed-income, balanced, tactical asset allocation and short-term manager.

Its equity approach uses a top-down macrovaluation of asset classes, selecting equities based on sector emphasis and security valuation.

Its fixed-income approach emphasizes the intermediate-term maturity sector, and uses interest rate anticipation. Government and mortgage-backed securities are used primarily.

The asset mix Jan. 1 was 18%

stocks, 39% bonds, 37% cash and 6% mortgage-backed securities.

The parent is First National Bank of Maryland.

Brian R. Mund, senior vice president, is chief investment officer; Dawson Richardson, vice president, is client contact.

First Midwest Portfolio Management Group

50 W. Jefferson, Joliet, Ill. 60431;
(815) 727-1306, ext. 6008

Total assets managed	$700,000,000
Tax-exempt assets managed:	
Total	$466,000,000
Commingled accounts	$20,000,000
Separate accounts	$446,000,000
401(k)/457 assets managed	$60,000,000
No. of 401(k)/457 plans	6
Minimum separate account	$500,000
Tax-exempt clients:	
Separate	250
Types of accounts managed	CEF
No. of portfolio managers	12
Size of research staff	5

First Midwest Portfolio Management Group is an active equity, active fixed-income, balanced and tactical asset allocation manager.

Its equity approach emphasizes low p/e stocks. Its fixed-income approach uses laddered maturities.

The asset mix Jan. 1 was 37% stocks, 53% bonds and 10% cash.

The parent is Fist Midwest Bancorp Inc.

Paul E. Gantzert, president and chief executive officer, is chief investment officer; Mr. Gantzert and Jerry Saunders and Terry Beaudry, vice presidents and trust officers, are client contacts.

First National Bank of Amarillo

P.O. Box 1331, Amarillo, Texas
79180; (806) 378-1968

Total assets managed	$504,000,[illegible]
Tax-exempt assets managed:	
Total	$268,000,000
Commingled accounts	$16,000,000
Separate accounts	$252,000,000
Mortgage-backed assets	$25,000,000
Minimum separate account	$1,000,000
Tax-exempt clients:	
Commingled	26
Separate	51
Types of accounts managed	CEFG
No. of portfolio managers	2

First National Bank of Amarillo is an active equity, active and passive fixed-income and balanced manager.

Its equity approach is value-oriented, using low p/e, high-yielding situations. Turnover is minimized to reduce transaction costs. Its active fixed-income approach uses swaps to alter average life, quality or sector exposure. Longer sectors are avoided.

The asset mix Jan. 1 was 25% stocks, 50% bonds, 15% cash and 10% mortgage-backed securities.

The parent is First Amarillo Bancorp.

George Cason, vice president and trust investment officer, is chief investment officer and client contact.

First National Bank of Omaha

1 First National Center, Omaha, Neb.
68103; (402) 341-0500

Total assets managed	$1,100,000,000
Tax-exempt assets managed:	
Total	$660,000,000
Commingled accounts	$75,000,000
Separate accounts	$585,000,000
401(k)/457 assets managed	$10,000,000
No. of 401(k)/457 plans	30
Minimum separate account	$3,000,000
Tax-exempt clients:	
Commingled	300
Separate	40
Types of accounts managed	CEFGJ
No. of portfolio managers	6
Size of research staff	2

First National Bank of Omaha is an active equity, active fixed-income and balanced manager.

Its primary equity approach uses Graham & Dodd analysis in a bottom-up, value-oriented, long-term approach dealing with larger, seasoned companies with sound fundamentals and selling at reasonable prices.

Its bond portfolios use a laddered approach, with about a 10% emphasis placed on the short or long portion based on the economic outlook. Minimum rating is A; maximum maturity is 25 years.

The asset mix Jan. 1 was 45% stocks, 45% bonds and 10% cash.

The parent is First National of Nebraska Inc.

Thomas W. Allen is chief investment officer; Milton E. Lackey is the client contact.

First National Bank in Wichita

Box 1, 105 N. Main, Wichita, Kan.
67201; (316) 268-1331

Total assets managed	$114,000,000
Tax-exempt assets managed:	
Total	$114,000,000
Commingled accounts	$13,000,000
Separate accounts	$101,000,000
401(k)/457 assets managed	$5,000,000
No. of 401(k)/457 plans	20
Real estate equity assets	$2,000,000
Mortgage assets	$1,000,000
Dedicated/immunized assets	$2,000,000
Minimum separate account	$250,000
Tax-exempt clients:	
Commingled	45
Separate	44
Types of accounts managed	EFJ
No. of portfolio managers	3
Size of research staff	1

First National Bank in Wichita is an active equity, active and passive fixed-income, balanced, real estate and short-term manager.

Its disciplined equity approach uses the following models: economic forecast; financial ratios; Graham & Dodd; consensus; technical; and risk/reward. Its active fixed-income approach uses interest rate anticipation and sector analysis in short/intermediate duration management. Stock index futures are used.

Its real estate approach offers active management of farm and commercial properties.

The asset mix Jan. 1 was 25% stocks, 50% bonds, 22% cash, 2% equity real estate and 1% mortgages.

The parent is First Bancorp.

Michael B. Colgan, vice president and trust investment officer, is chief investment officer and client contact.

First Pacific Advisors Inc.

10301 W. Pico Blvd., Los Angeles,
Calif. 90064; (213) 277-4900

Total assets managed	$2,099,000,000
Tax-exempt assets managed:	
Total	$1,476,000,000
Separate accounts	$1,476,000,000
Tax-exempt clients	29
Types of accounts managed	CEF
No. of portfolio managers	4
Size of research staff	2

First Pacific Advisors Inc. is an active equity, active fixed-income and balanced manager.

It is a fundamental, disciplined, value-oriented equity investor, applying specific criteria to identify superior companies and determine attractive prices. Options are used occasionally.

Its primary fixed-income approach is also value-oriented.

The asset mix Jan. 1 was 61% equities, 19% bonds and 20% cash.

The parent is Angeles Corp.

U.S. tax-exempt clients include Rockwell International, GTE, Xerox and Chevron.

George W. Michaelis, president, is chief investment officer; Lawrence P. McNeil, senior vice president, is client contact.

First Quadrant Corp.

305 Madison Ave., Morristown, N.J.
07960; (201) 285-7119

Total assets managed	$7,440,000,000
Tax-exempt assets managed:	
Total	$711,000,000
Pooled accounts	$624,000,000
Separate accounts	$87,000,000
401(k)/457 assets managed	$25,000,000
No. of 401(k)/457 plans	1
International equity assets	$3,000,000
International fixed-income assets	$3,000,000
International cash assets	$4,000,000
Minimum separate account	$25,000,000
Tax-exempt clients:	
Separate	3
Types of accounts managed	CE
No. of portfolio managers	4
Size of research staff	4

First Quadrant Corp. is an active equity, active fixed-income, balanced, domestic and international tactical asset allocation, passive international/global and short-term manager.

Its equity approach employs quantitative screening methods to create diversified portfolios whose p/e is lower and yield generally higher than the S&P 500.

Its fixed-income approach uses sector analysis. Portfolios have durations longer than the Shearson Lehman Hutton Government/Corporate Bond Index. Options, stock index futures and fixed-income futures are used.

The asset mix Jan. 1 was 75% stocks, 20% bonds and 5% cash.

The parent is Xerox Financial Services Inc.

Robert D. Arnott, president, is chief investment officer and client contact.

First Security National Bank & Trust Co.

1 First Security Plaza, Lexington, Ky.
40507; (606) 231-1000

Total assets managed	$1,151,000,000
Tax-exempt assets managed:	
Total	$219,000,000
Commingled accounts	$35,000,000
Separate accounts	$184,000,000
Minimum separate account	$1,000,000
Tax-exempt clients:	
Commingled	110
Separate	205
Types of accounts managed	CEFG
No. of portfolio managers	3
Size of research staff	1

First Security National Bank & Trust Co. is an active equity, active fixed-income, balanced and short-term manager.

Its value-oriented stock selection is primarily based on an in-house valuation model modified by a subjective analysis of fundamental factors. Its primary fixed-income approach uses interest rate anticipation with emphasis on maturities of 10 years or less.

The asset mix Jan. 1 was 55% stocks, 35% bonds and 10% cash.

The parent is First Security Corp. of Kentucky.

Jerry C. Troyer, vice president and senior trust investment officer, is chief investment officer; Danny L. Spicer, vice president and trust officer, is client contact.

First Tennessee Investment Management Inc.

165 Madison Ave., Memphis, Tenn.
38101-0084; (901) 523-5651

Total assets managed	$2,342,000,000
Tax-exempt assets managed:	
Total	$1,356,000,000
Pooled accounts	$181,000,000
Separate accounts	$1,175,000,000
Equity real estate assets	$14,000,000
Mortgage assets	$14,000,000
Mortgage-backed assets	$54,000,000
Minimum separate account	$500,000
Tax-exempt clients:	
Pooled	1,024
Separate	103
Types of accounts managed	CEFJG
No. of portfolio managers	10
Size of research staff	9

First Tennessee Investment Management Inc. is an active and passive equity, active and passive fixed-income, balanced, tactical asset allocation and short-term cash manager.

Its primary equity approach uses sector rotation, looking for stocks with long-term growth in unit volume, sales and earnings. Options are used.

Its fixed-income approach uses interest rate anticipation and sector analysis to take advantage of yield curve and other temporary distortions in the market. Credit considerations are emphasized.

The asset mix Jan. 1 was 37% stocks, 42% bonds, 15% cash, 1% equity real estate, 1% mortgages and 4% mortgage-backed securities.

The parent is First Tennessee National Corp.

William V. Pruett, president, is chief investment officer; Bill Woodson and Pat Kunnecke are client contacts.

First Trust

180 E. Fifth St., St. Paul, Minn. 55101;
(612) 223-7294

See entry for FIRST ASSET MANAGEMENT. David Bodine and Kevin Underkofler, vice presidents, are client contacts.

A report on funding retiree health-care benefits will be in the May 29 issue.

First Union National Bank

301 S. Tryon St., Charlotte, N.C.
28288; (704) 383-5413

Total assets managed	$7,100,000,000
Tax-exempt assets managed:	
Total	$4,350,000,000
Commingled accounts	$1,250,000,000
Separate accounts	$3,100,000,000
401(k)/457 assets managed	$750,000,000
No. of 401(k)/457 plans	140
Mortgage-backed assets	$150,000,000
International cash assets	$100,000,000
Equity indexed assets	$28,600,000
Minimum separate account	$1,000,000
Tax-exempt clients:	
Commingled	1,134
Separate	250
Types of accounts managed	CEFG
No. of portfolio managers	27
Size of research staff	6

First Union National Bank is an active and passive equity, active fixed-income, balanced and short-term manager.

Its equity approach uses Graham & Dodd principles identifying low p/e stocks. It invests in companies that have average to above-average financial characteristics and sell substantially below market valuation levels.

Its fixed-income approach is conservative and based on interest rate anticipation, aiming to provide consistently positive returns, attractive levels of current income and capital gains when interest rates decline.

Financial futures are used.

The asset mix Jan. 1 was 45% stocks, 37% bonds and 18% cash.

U.S. tax-exempt clients include Ace Hardware, Chanel, Secura Insurance and Sterling Drug.

The parent is First Union Corp.

William R. Hackney III is chief investment officer; Steven D. Poole, vice president and trust officer, is client contact.

First Wachovia

301 N. Main St., Winston-Salem, N.C.
27150; (919) 770-5906

Total assets managed	$9,300,000,000
Tax-exempt assets managed:	
Total	$5,670,000,000
Commingled accounts	$1,116,000,000
Separate accounts	$4,554,000,000
Minimum separate account	$5,000,000
Types of accounts managed	CEFG
No. of portfolio managers	20
Size of research staff	9

First Wachovia is an equity, fixed-income, balanced, real estate, timberland and GIC manager.

Its equity approach uncovers value by combining early identification of trends influencing stock prices and quantitative research and analysis. Its fixed-income approach is multidisciplined, weaving judgments about the interest rate environment with opportunities to add value through sector rotation, security swapping and credit analysis.

Its real estate approach is to acquire properties when demand is low and develop when demand is high.

The asset mix Jan. 1 was 36% stocks, 33% bonds, 19% cash and 12% equity real estate.

The parent is First Wachovia Corp.

H. Vernon Winters is chief investment officer; William C. Christie, senior vice president and marketing manager, is client contact.

First Wisconsin Asset Management Inc.

1 S. Pinckney St., P.O. Box 7900,
Madison, Wis. 53707; (608)
252-4248

Total assets managed	$1,986,000,000
Tax-exempt assets managed:	
Total	$950,000,000
Commingled accounts	$650,000,000
Separate accounts	$300,000,000
401(k)/457 assets managed	$150,000,000
No. of 401(k)/457 plans	60
International equity assets	$25,000,000
Minimum separate account	$1,000,000
Tax-exempt clients:	
Commingled	1,350
Separate	180
Types of accounts managed	CF
No. of portfolio managers	10

First Wisconsin Asset Management Inc. is an active equity, active and passive fixed-income, balanced and short-term manager.

Its primary equity approach targets companies with excellent growth, sales and earnings, strong balance sheets and p/e multiples close to market. Its primary fixed-income approach emphasizes quality and interest rate anticipation.

The asset mix Jan. 1 was 31% stocks, 47% bonds and 22% cash.

The parent company is Firstar Corp.

U.S. tax-exempt clients include Ameritech, Philip Morris, American Family Insurance Group and Wisconsin Carpenters.

J. Scott Harkness is president and chief investment officer; Steven R. Parish, assistant vice president at First Wisconsin National Bank of Madison, is client contact.

First Wisconsin Trust Co.

777 E. Wisconsin Ave., Milwaukee,
Wis. 53202; (414) 765-4444

Total assets managed	$3,846,000,000
Tax-exempt assets managed:	
Total	$2,252,000,000
Commingled accounts	$933,000,000
Separate accounts	$1,319,000,000
401(k)/457 assets managed	$377,000,000
No. of 401(k)/457 plans	48
Real estate equity assets	$11,000,000
International equity assets	$3,000,000
Equity indexed assets	$89,000,000
Fixed-income indexed assets	$250,000,000
Dedicated/immunized assets	$909,000,000
Minimum separate account	$1,000,000
Types of accounts managed	CEFJG
No. of portfolio managers	22

First Wisconsin Trust Co. is an active and passive equity, active and passive fixed-income, balanced, tactical asset allocation, real estate, passive international equity and short-term manager.

Its equity approach is conservative and income-oriented, emphasizing large-cap and some medium-cap issues. Current dividend yield and the prospect for dividend growth are important elements. Options are used. First Wisconsin Asset Management, a subsidiary profiled elsewhere in this issue, emphasizes growth or capital appreciation.

Its quantitative fixed-income approach adapts the basic principles of immunization.

Its real estate approach uses unleveraged equity positions in existing, leased commercial properties to develop a stable income stream and potential appreciation.

The asset mix Jan. 1 was 14.6% stocks, 58.4% bonds, 26.4% cash and 0.6% equity real estate.

The parent is Firstar Corp.

Jackson Kirk, first vice president and chief financial officer, is chief investment officer; Robert Aubrecht, vice president, is client contact.

Fischer, Francis, Trees & Watts Inc.

717 Fifth Ave., New York, N.Y. 10022:
(212) 350-8050

Total assets managed	$11,519,000,000
Tax-exempt assets managed:	
Total	$10,610,000,000
Separate accounts	$10,610,000,000
Mortgage-backed assets	$400,000,000
Dedicated/immunized assets	$200,000,000
Minimum separate account	$40,000,000
Tax-exempt clients	43
Types of accounts managed	CEFG
No. of portfolio managers	12

Fischer, Francis, Trees & Watts Inc., a domestic and international/global active fixed-income manager, uses interest rate anticipation and sector analysis. It manages market risk and sector spread opportunities in prime quality issues with active trading. Hedged foreign currency securities are used, as are options and fixed-income futures.

All assets Jan. 1 were in fixed income.

U.S. tax-exempt clients include IBM, Honeywell and New York City Retirement.

Richard G. Fischer is chief investment officer; Cecilia M. Murphy, business development manager, is client contact.

Fisher Investments Inc.

301 Henrik Road, Woodside, Calif.
94062; (415) 851-3334

Total assets managed	[illegible]
Tax-exempt assets managed:	
Total	$185,000,000
Separate accounts	$185,000,000

401(k)/457 assets managed	$5,000,000
No. of 401(k)/457 plans	2
Minimum separate account	$5,000,000
Tax-exempt clients	66
Types of accounts managed	CEFG
Size of research staff	5

Fisher Investments Inc., an active equity and balanced manager, focuses on medium-cap equities with low price-sales ratios, strong balance sheets and competitive business advantages as determined through quantitative/qualitative research.

In balanced accounts, its fixed-income approach emphasizes U.S. Treasury securities in staggered maturities, with A1/P1 commercial paper used to maximize cash yields.

The asset mix Jan. 1 was 50% stocks, 10% bonds and 40% cash.

Kenneth L. Fisher, president, is chief investment officer; Joseph L. Toms, managing director, is client contact.

Fleet National Bank

100 Westminster St., Providence, R.I.
02903; (401) 278-6000

Total assets managed	$4,200,000,000
Tax-exempt assets managed:	
Total	$2,188,000,000
Commingled accounts	$88,000,000
Separate accounts	$2,100,000,000
401(k)/457 assets managed	$45,000,000
No. of 401(k)/457 plans	50
Minimum separate account	$1,000,000
Tax-exempt clients:	
Commingled	330
Separate	200
Types of accounts managed	CEFJG
No. of portfolio managers	17
Size of research staff	6

Fleet National Bank is an active equity, active fixed-income, balanced and short-term manager.

It uses a value-oriented (low p/e) equity approach. Its fixed-income approach uses interest rate anticipation.

The asset mix Jan. 1 was 60% stocks, 30% bonds and 10% cash.

The parent is Fleet/Norstar Financial Group.

The bank follows 200 stocks closely and 300, generally; 95% of research is generated internally.

U.S. tax-exempt clients include Rhode Island State Employees, Cullinet Software and A.T. Cross.

Harold A. MacKinney Jr., executive vice president, is chief investment officer; Michael E. Hogan, assistant vice president, is client contact.

Flippin, Bruce & Porter Inc.

800 Main St., Suite 202, Lynchburg,
Va. 24504; (804) 845-4900

Total assets managed	$225,000,000
Tax-exempt assets managed:	
Total	$156,000,000
Separate accounts	$156,000,000
Minimum separate account	$1,600,000
Tax-exempt clients	21
Types of accounts managed	CEFJ
No. of portfolio managers	2
Size of research staff	1

Flippin, Bruce & Porter Inc. is an active equity and balanced manager.

Its equity approach is contrarian. Managers look beyond current investor emotion, discounting Wall Street expectations and relating historical financial characteristics to current price.

A contrarian fixed-income manager, the firm constructs a "barbell of quality," with BAA securities on the short end and AAA governments on the long end, producing a shorter average maturity with a higher-than-average yield.

Options are used.

The asset mix Jan. 1 was 81% equities, 12% bonds and 7% cash.

John M. Flippin and John T. Bruce, principals, are chief investment officers; R.G. Porter, principal, is client contact.

Forest Investment Associates

5605 Glenridge Drive, Suite 710,
Atlanta, Ga. 30342; (404) 847-0794

Total assets managed	$45,000,000
Tax-exempt assets managed:	
Total	$29,000,000
Separate accounts	$29,000,000
Minimum separate account	$10,000,000
Tax-exempt clients	1
Types of accounts managed	C
No. of portfolio managers	2
Size of research staff	1

Forest Investment Associates, a timberland manager, acquires and manages equity interests in timber and timberland in the United States with the objective of capital preservation and real appreciation. Properties are diversified by location and age of timber.

As of Jan. 1, all assets were in timberland.

Charles M. Tarver, director of acquisitions, is chief investment officer and client contact.

Forstmann-Leff Associates

55 E. 52nd St., New York, N.Y. 10055;
(212) 644-9888

Total assets managed	$3,520,000,000
Tax-exempt assets managed:	
Total	$3,470,000,000
Separate accounts	$3,470,000,000
Minimum separate account	$5,000,000
Tax-exempt clients	58
Types of accounts managed	CEFJG
No. of portfolio managers	6
Size of research staff	4

Forstmann-Leff Associates Inc. is an active equity and balanced manager.

Its risk-averse, capital preservation- and asset allocation-driven equity approach uses sector rotation and market timing. Management of fixed-income and cash equivalents, both used as equity substitutes, is keyed to interest rate forecasting and positioning on the yield curve. Stock index futures are used.

The asset mix Jan. 1 was 58% stocks, 4% bonds and 38% cash.

The parent is Guiness Peat Group PLC.

Clients include Amoco, Marriott, Hughes and Northrop.

Joel B. Leff and J. Anthony Forstmann, co-chairmen, and William F. Hamisch, president, are chief investment officers; Peter A. Lusk, executive vice president and director of marketing, is client contact.

Fort Hill Investors Management Corp.

260 Franklin St., Boston, Mass. 02110;
(617) 439-4488

Total assets managed	$365,000,000
Tax-exempt assets managed:	
Total	$340,000,000
Separate accounts	$340,000,000
Minimum separate account	$1,000,000
Tax-exempt clients	33
Types of accounts managed	CEFJG
No. of portfolio managers	5

Fort Hill Investors Management Corp. is an active equity, active fixed-income, balanced and short-term manager.

Its primary equity approach is risk-averse, using cash-flow analysis and recognition of asset value. Its primary fixed-income approach uses interest rate anticipation and sector analysis.

The asset mix Jan. 1 was 45% equity, 23% bonds and 32% cash.

The parent is Merchants Capital Corp.

U.S. tax-exempt clients include Massachusetts Laborers, Massachusetts Carpenters and TWA Annuity Plan.

John R. Lakian, chairman, is chief investment officer; Robert P. Caccia, senior vice president, is client contact.

The assets of one subsidiary are included above.

- Fort Hill Union Management Co. provides specialized investment management services to Taft-Hartley clients. It has 15 clients and manages $250 million in assets.

Its investment approaches are identical to those of Fort Hill Investors, with the addition of a socially sensitive investment program with strict adherence to the AFL-CIO Boycott list.

Mr. Caccia is chief executive officer.

Fort Hill Union Management

260 Franklin St., Boston, Mass. 02110;
(617) 439-4488 or (800) 553-0047

See entry for FORT HILL INVESTORS MANAGEMENT CORP.

Foxhall Investment Management

815 Connecticut Ave. N.W., Suite 200,
Washington, D.C. 20006; (202)
872-6600

LaSalle Advisors Limited

Real Estate Investment Advisor to
Qualified Tax-exempt Institutions

Over $2,500,000,000 Under Management

LaSalle Advisors Limited purchased this premier office building
on behalf of its commingled fund clients.

LA SALLE ADVISORS
Limited
Real Estate Advisory Services
Chicago, Illinois 60603

Call Kenneth M. Campia, President at (312) 782-5800

otal assets managed	$256,000,000
ax-exempt assets managed:	
Total	$57,000,000
Separate accounts	$57,000,000
01(k)/457 assets managed	$2,000,000
No. of 401(k)/457 plans	9
inimum separate account	$200,000
ax-exempt clients	158
ypes of accounts managed	CEF
o. of portfolio managers	11

Foxhall Investment Management, an ctive fixed-income and balanced nanager, bases investments on a top-lown asset allocation process using he firm's analysis of forecasts and rends. Its portfolio holds money maret holdings, high-quality bonds, cyclial bonds and special situations. Opons are used.

The asset mix Jan. 1 was 60% tocks, 30% bonds and 10% cash.

The parent is Thomson McKinnon sset Management LP, a subsidiary of homson McKinnon Inc.

Donald W. McVitty, president, is hief investment officer; Ann M. Pelizari, assistant vice president, is client ontact.

oyston, Gordon & Payne

uite 1201, 10 King St. E., Toronto,
Ontario M5C 1C3; (416) 362-4725

otal assets managed	$380,000,000
ax-exempt assets managed:	
Total	$265,000,000
Separate accounts	$265,000,000
For subsidiaries of U.S. firms	$100,000,000
inimum separate account	$3,000,000
ax-exempt clients	22
U.S. subsidiaries	5
ypes of accounts managed	CEFU
o. of portfolio managers	4

Foyston, Gordon & Payne Inc., a anadian firm, is an active equity, acve fixed-income, balanced and shortrm manager.

Its equity approach combines growth nd low p/e stocks from Graham & odd analysis. Stock selection is priarily bottom-up, using an in-house creening process for fundamentals.

Its fixed-income approach uses inrest rate anticipation and sector analsis, concentrating on government seurities augmented with high-quality orporate issues.

The asset mix Jan. 1 was 35% Caadian stocks, 5% U.S. stocks, 50% onds and 10% cash.

Peter Gordon, president, is chief instment officer and client contact.

ranklin Asset Management Systems

77 Mariners Island Blvd., San Mateo,
Calif. 94404; (415) 570-3078

otal assets managed	$850,000,000
ax-exempt assets managed:	
Total	$450,000,000
Separate accounts	$450,000,000
inimum separate account	$5,000,000
ax-exempt clients	18
ypes of accounts managed	CEFG
o. of portfolio managers	2
ze of research staff	2

Franklin Asset Management Sysms, an active equity manager uses rowth and low p/e stocks.

The asset mix Jan. 1 was 98% ocks and 2% cash.

The parent is Franklin Resources c.

Clients include Oregon Public Emloyes, Chevron, Chicago Transit Auority and The Common Fund.

Marvin McClay is chief investment fficer; J. Paul Lewis, president, is client contact.

ranklin Portfolio Associates Trust

Post Office Square, Boston, Mass.
02109; (617) 423-4448

tal assets managed	$2,916,000,000
x-exempt assets managed:	
Total	$2,731,000,000
Separate accounts	$2,731,000,000
inimum separate account	$10,000,000
ax-exempt clients	26
ypes of accounts managed	CEFJG
o. of portfolio managers	3
ze of research staff	1

Franklin Portfolio Associates Trust, n active quantitative equity manager, ses a multiple valuation approach to etermine the relative attractiveness of large universe of stocks. Portfolios re constructed to reflect individual client benchmarks. Stock index futures are used.

The asset mix Jan. 1 was 98% stocks and 2% cash.

The parent is Mellon Bank Corp.

Clients include GM, Bell Atlantic, GTE and Owens-Illinois.

John J. Nagorniak, president, is chief investment officer; Spencer L. Timm, senior vice president, is client contact.

Franklin Research & Development Corp.

711 Atlantic Ave., Boston, Mass.
02110; (617) 423-6655

Total assets managed	$163,000,000
Tax-exempt assets managed:	
Total	$82,000,000
Separate accounts	$82,000,000
Minimum separate account	$400 000
Tax-exempt clients	40
Types of accounts managed	CEF
No. of portfolio managers	8
Size of research staff	4

Franklin Research & Development Corp. is an active equity, active fixed-income and balanced manager.

The firm applies social screens (such as weaponry, South Africa and employee relations) to its earnings driven, sector rotational, fundamental growth approach. Its fixed-income approach uses interest rate anticipation and social screens.

The asset mix Jan. 1 was 33% stocks, 52% bonds and 15% cash.

The firm is affiliated with Franklin Management.

Joan Bavaria is chief investment officer; Edmund T. Bennett, senior vice president, and Diane Mills, marketing associate, are client contacts.

Fraser Management Associates Inc.

309 S. Willard, P.O. Box 494,
Burlington, Vt. 05402; (802)
658-0322

Total assets managed	$91,000,000
Tax-exempt assets managed:	
Total	$23,000,000
Separate accounts	$23,000,000
Minimum separate account	$100,000
Tax-exempt clients	38
Types of accounts managed	CEF
No. of portfolio managers	4

Fraser Management Associates Inc. is an equity, fixed-income and balanced manager.

Its equity approach is contrarian and its fixed-income approach is passive.

The firm follows 60 stocks closely and 150, generally; 35% of research is generated internally.

James L. Fraser, president, is chief investment officer; David D. Steece, vice president, is client contact.

Froley, Revy Investment Co.

10900 Wilshire Blvd., Suite 1050, Los
Angeles, Calif. 90024; (213)
208-4938

Total assets managed	$591,000,000
Tax-exempt assets managed:	
Total	$465,000,000
Separate accounts	$465,000,000
401(k)/457 assets managed	$6,000,000
No. of 401(k)/457 plans	2
International fixed-income assets	$4,000,000
Minimum separate account	$1,000,000
Tax-exempt clients	28
Types of accounts managed	CFG
No. of portfolio managers	2
Size of research staff	1

Froley, Revy Investment Co. Inc. invests in growth and small-cap companies through convertible securities.

The asset mix Jan. 1 was 2% equities, 6% cash and 92% convertibles.

The firm follows 250 stocks closely and the universe of convertible issues generally; 30% of research is generated internally.

Clients include Gannett, State of Oregon and Alaska Teamsters.

George A. Froley and Thomas Revy are chief investment officers; Melinda J. Gordon, business development and client relations, is client contact.

Frontier Capital Management

286 Congress St., Boston, Mass.
02110; (617) 420-8880

Total assets managed	$763,000,000
Tax-exempt assets managed:	
Total	$746,000,000
Pooled accounts	$15,000,000
Separate accounts	$731,000,000
Minimum separate account	$5,000,000
Tax-exempt clients:	
Pooled	2
Separate	32
Types of accounts managed	CEFJG
No. of portfolio managers	5
Size of research staff	4

Frontier Capital Management Co., an active equity and balanced manager, focuses on companies with rapidly growing earnings. Frontier employs this approach in traditional growth and small-cap portfolios.

The asset mix Jan. 1 was 96% stocks and 4% cash.

Clients include Donaldson, Lufkin & Jenrette, L.L. Bean, GTE and GM.

J. David Wimberly is chief investment officer; Nancy J. Smith is client contact.

Furgueson Capital Management Inc.

19 W. 44th St., New York, N.Y. 10036;
(212) 840-1781

Total assets managed	$104,000,000
Tax-exempt assets managed:	
Total	$19,000,000
Separate accounts	$19,000,000
Minimum separate account	$100,000
Tax-exempt clients	31
Types of accounts managed	CEF
No. of portfolio managers	4

Furgueson Capital Management Inc. is an equity, fixed-income and balanced manager.

Its active equity approach emphasizes growth and emerging growth stocks analyzed through Graham & Dodd principles. Its fixed-income approach is passive. Bonds are used for income and balance. Maturities usually are laddered to reduce interest rate risk.

The asset mix Jan. 1 was 69.4% stocks, 19.4% bonds and 11.2% cash.

Cornelius Furgueson IV, president, is chief investment officer; Mr. Furgueson and Stephen H. Orr, vice president, are client contacts.

Furman Selz Capital Management

230 Park) Ave., New York, N.Y.
10169; (212) 309-8422

Total assets managed	$759,000,000
Tax-exempt assets managed:	
Total	$500,000,000
Separate accounts	$500,000,000
Minimum separate account	$3,000,000
Tax-exempt clients	38
Types of accounts managed	CEFJG
No. of portfolio managers	6
Size of research staff	15

Furman Selz Capital Management is an active equity and balanced manager.

Its equity approach focuses on demonstrated and expected growth. The firm is price sensitive in stock selection; portfolios have p/e ratios below that of the S&P 500, based on projected earnings. Options are used.

Its fixed-income approach focuses on the key variable of fixed-income returns: interest rates and controlling risk by limiting investments to higher quality and shorter maturity issues.

The asset mix Jan. 1 was 64% stocks and 36% bonds.

The parent is Furman Selz Holding Corp.

Robert H. Buckles, senior managing director, is chief investment officer; William W. Storff, senior managing director and chief operating officer, is client contact.

G

Gabelli-O'Connor Fixed Income Management Co.

8 Sound Shore Drive, Greenwich,
Conn. 06830; (203) 629-2090

Total assets managed	$348,000,000
Tax-exempt assets managed:	
Total	$151,000,000
Pooled accounts	$46,000,000
Separate accounts	$105,000,000
Minimum separate account	$10,000,000
Tax-exempt clients:	
Pooled	60
Separate	1
Types of accounts managed	C
No. of portfolio managers	3

Gabelli-O'Connor Fixed Income Management Co., a short-term manager, uses an aggressive management style for its laddered portfolios. Portfolios are actively traded using T-bill swaps/rolls and money market instruments based on yield spread analysis.

As of Jan. 1, all assets were in money market instruments.

It is an affiliate of Gabelli Asset Management Co.

Thomas E. O'Connor is chief investment officer; Norma J. Niehoff, director-marketing and sales, is client contact.

GAMCO Investors Inc.

655 Third Ave., New York, N.Y. 10017;
(212) 972-2350

Total assets managed	$2,332,000,000
Tax-exempt assets managed:	
Total	$1,605,000,000
Separate accounts	$1,605,000,000
401(k)/457 assets managed	$18,000,000
No. of 401(k)/457 plans	4
Minimum separate account	$5,000,000
Tax-exempt clients	90
Types of accounts managed	CEFJG
No. of portfolio managers	16
Size of research staff	7

GAMCO Investors Inc., an active equity manager, uses Graham & Dodd analysis. Its approach hinges on identifying asset-rich companies that are selling at a discount to their private market value, and where a catalyst has emerged to display these values.

The asset mix Jan. 1 was 85% equity and 15% cash.

The parent is The Gabelli Group Inc.

Mario J. Gabelli is chief investment officer; Douglas R. Jamieson, executive vice president, is client contact.

Gannett, Welsh & Kotler

22 Batterymarch St., Boston, Mass.
02109; (617) 482-8900

Total assets managed	$400,000,000
Tax-exempt assets managed:	
Total	$30,000,000
Separate accounts	$30,000,000
Minimum separate account	$1,000,000
Tax-exempt clients	23
Types of accounts managed	CFJ
No. of portfolio managers	5
Size of research staff	3

Gannett, Welsh & Kotler is an active and passive equity, active and passive fixed-income, balanced and short-term manager.

The firm follows a disciplined approach to identifying undervalued growth stocks. Portfolios are broadly diversified and usually fully invested. Its fixed-income approach uses interest rate anticipation.

The asset mix Jan. 1 was 18% equity, 81% bonds and 1% cash.

Harold G. Kotler, president, is chief investment officer; Thomas R. Haslett, assistant vice president, is client contact.

Ganz Capital Management

1400 N.E. Miami Gardens Drive, Suite
215, North Miami Beach, Fla.
33179; (305) 949-2800

Total assets managed	$172,000,000
Tax-exempt assets managed:	
Total	$78,000,000
Separate accounts	$78,000,000
Mortgage-backed assets	$15,000,000
Minimum separate account	$500,000
Tax-exempt clients	120
Types of accounts managed	CF
No. of portfolio managers	4

Ganz Capital Management Inc. is an active and passive equity, active and passive fixed-income, balanced and short-term manager.

Its primary approach combines strict major trend market timing principals with a fundamental top-down approach using equities, convertibles and fixed-income securities. Interest rate anticipation and quality analysis are used in fixed income.

The asset mix Jan. 1 was 30% equities, 8% bonds, 27% cash, 20% mortgage-backed securities and 15% convertibles.

Charles B. Ganz is chief investment officer and client contact.

Gardner and Preston Moss

1 Winthrop Square, Boston, Mass.
02110; (617) 482-6500

Total assets managed	$3,155,000,000
Tax-exempt assets managed:	
Total	$2,701,000,000
Separate accounts	$2,701,000,000
Mortgage-backed assets	$10,000,000
International bond assets	$219,000,000
Dedicated/immunized assets	$17,000,000
Minimum separate account	$600,000
Tax-exempt clients	468
Types of accounts managed	CEFGJ
No. of portfolio managers	20
Size of research staff	3

Gardner and Preston Moss Inc. is an active equity, active and passive fixed-income, balanced and short-term manager.

Its primary equity approach uses low p/e stocks with sector rotation and market timing techniques. The asset mix is based on economic, technical and valuation factors. Industry-specific key variables and relative valuation measures are used to vary sector weightings. In fixed income, maturities are based on the interest rate outlook and yield curve valuation, with sector and quality based on relative value.

South Africa-free portfolios are offered.

The asset mix Jan. 1 was 35% equity, 33% bonds, 25% cash and 7% non-dollar-denominated bonds.

The parent is Britannia Arrow Holdings PLC.

G. Kinnear Pash, president, is chief investment officer; Sue-Ellen Whelan, assistant vice president, is client contact.

Garrett Realty Advisors

1509 Main St., Suite 1105, Dallas,
Texas 75201; (214) 749-7777

Total assets managed	$60,000,000
Tax-exempt assets managed	$53,000,000
Real estate assets managed	$53,000,000
Minimum separate account	$2,000,000
Tax-exempt clients	6
Types of accounts managed	CG
No. of portfolio managers	2
Size of research staff	2

Garrett Realty Advisors, a real estate manager, purchases substantially leased industrial warehouse properties with strong credit tenants, at or below reproduction cost, in major U.S. distribution markets, primarily in the eastern half of the United States. The properties must be in industrial parks or along major interstate routes.

Joseph P. Garrett, president is chief investment officer; Daniel H. Lawson is client contact.

Garrison, Keogh & Co. Inc.

122 E. 42nd St., New York, N.Y.
10168; (212) 557-7440

Total assets managed	$200,000,000
Tax-exempt assets managed:	
Total	$125,000,000
Separate accounts	$125,000,000
Minimum separate account	$2,000,000
Tax-exempt clients	18
Types of accounts managed	CEFJ
No. of portfolio managers	3

Garrison, Keogh & Co. is an active equity and balanced manager.

Its primary equity approach uses emerging growth and low p/e stocks. Proprietary valuation screens are applied to a closely followed list of stocks with high returns, strong finances and low institutional ownership. Cash reserves are used to preserve capital. Bonds are bought only when risk/reward is favorable. Convertibles and selected high-yield issues are used.

The asset mix Jan. 1 was 65% equity, 20% bonds and 15% cash.

William G. Garrison, Thomas F. Keogh and William Bradford III are chief investment officers; Mr. Bradford is client contact.

Gateway Investment Advisers Inc.

400 Technecenter Drive, Cincinnati,
Ohio 45150; (513) 248-2700

Total assets managed	$352,000,000
Tax-exempt assets managed:	
Total	$85,000,000
Separate accounts	$85,000,000
Equity indexed assets	$33,000,000
Minimum separate account	$500,000
Tax-exempt clients	23
Types of accounts managed	CF
No. of portfolio managers	3

Gateway Investment Advisers Inc. an active and passive equity and fixed-income, balanced, short-term and bond surrogate manager.

Its primary strategy is dividend capture. It uses a computer program to evaluate stock prices and volume prior to ex-dividend dates. Call options and index put options are used for downside protection.

The asset mix Jan. 1 was 80% equities, 10% bonds and 10% cash.

Walter G. Sall, chairman, is chief investment officer; J. David Cummings, vice president, is client contact.

GE Investments

P.O. Box 7900, 3003 Summer St.,
Stamford, Conn. 06904; (203)
326-2300

Total assets managed	$29,200,000,000
Tax-exempt assets managed:	
Total	$22,700,000,000
Pooled accounts	$21,500,000,000
Separate accounts	$1,200,000,000
401(k)/457 assets managed	$4,500,000,000
No. of 401(k)/457 plans	2
Equity real estate assets	$2,000,000,000
Mortgage assets	$450,000,000
Mortgage-backed assets	$300,000,000
International equity assets	$1,500,000,000
International bond assets	$700,000,000
International cash assets	$100,000,000
Equity indexed assets	$4,200,000,000
Dedicated/immunized assets	$2,000,000,000
Minimum separate account	$10,000,000
Tax-exempt clients:	
Pooled	4
Separate	6
Types of accounts managed	CF
No. of portfolio managers	15

GE Investments is an active equity and fixed-income, balanced, real estate, active international equity and fixed-income, short-term and private placements manager.

Its equity approach stresses growth and quality together with sector concentration. Systematic portfolios are quantitatively driven and value-based.

Fixed-income portfolios are actively managed using a relative value approach to domestic vs. international bond diversification. Options and financial futures are used.

In real estate, it makes direct investments in high-quality, well-located assets in major metropolitan areas.

The asset mix Jan. 1 was 47% stocks, 28% bonds, 5% cash, 9% equity real estate, 2% mortgages, 1% mortgage-backed securities, 6% corporate finance equity and 2% corporate finance debt.

An additional $1.4 billion is managed on its behalf by other managers.

The parent is General Electric Co.

D.F. Frey, chairman and president, is chief investment officer; G.R. Norman, executive vice president, is client contact.

Geewax, Terker & Co.

99 Starr St., Phoenixville, Pa. 19460;
(215) 935-3000

Total assets managed	$2,800,000,000
Tax-exempt assets managed:	
Total	$2,800,000,000
Separate accounts	$2,800,000,000
Minimum separate account	$25,000,000
Tax-exempt clients	35
Types of accounts managed	CEFG
No. of portfolio managers	4
Size of research staff	2

Geewax, Terker & Co., an active equity manager, blends quantitative valuation analysis with sector rotation among growth/valus stocks.

The asset mix Jan. 1 was 98% equities and 2% cash.

Clients include Bell Atlantic, Rockefeller Foundation, Alcoa and International Paper.

John J. Geewax is chief investment officer and client contact.

General American Investors

330 Madison Ave., New York, N.Y.
10017; (212) 916-8400

Total assets managed	$1,325,000,000
Tax-exempt assets managed:	
Total	$1,023,000,000
Separate accounts	$1,023,000,000
Minimum separate account	$20,000,000
Tax-exempt clients	13
Types of accounts managed	CEFG
No. of portfolio managers	2

General American Investors Co. Inc., an active equity manager, has a fundamental analysis orientation and emphasizes growth stocks. It uses bottom-up stock selection and a three-year time frame with stocks having a 50% appreciation potential and minimum downside risk if potential isn't realized.

The asset mix Jan. 1 was 93% equities and 7% cash.

Clients include GTE, State of Oregon, University of Virginia and Knight Foundation.

William J. Gedale, president, is chief investment officer; James B. Book IV is client contact.

General American Life Insurance Co.

700 Market St., St. Louis, Mo. 63101;
(314) 231-1700

Total assets managed	$1,508,000,000
Total discretionary assets	$1,508,000,000
Tax-exempt assets managed:	
Total	$1,508,000,000
Pooled accounts	$141,000,000
Separate accounts	$173,000,000
GICs	$794,000,000
Other	$400,000,000
Mortgage assets	$209,000,000
Equity indexed assets	$28,000,000
Fixed-income indexed assets	$36,000,000
Minimum separate account	$5,000,000
Tax-exempt clients:	
Pooled	281
Separate	3
Types of accounts managed	CFGJ
No. of portfolio managers	5
Size of research staff	3

General American Life Insurance Co. is an active and passive equity, active fixed-income, short-term and balanced manager.

In equities, it offers an S&P 500 index fund, an NYSE low-cap fund and an actively managed fund using Morgan Stanley Asset Management as the investment adviser.

In fixed-income, it offers two pooled bond accounts: one, actively managed public bonds; another, passively managed private placements.

It originates mortgages and purchases real estate in areas where demand is expected to remain strong.

The separate account asset mix Jan. 1 was 21% equities, 4% bonds, 18% cash and 57% mortgages.

Donald L. Smith and Leonard M. Rubenstein are chief investment officers; Ronald O. Drury, vice president-sales and marketing, is client contact.

Geneva Capital Management

135 W. Wells St., Suite 640,
Milwaukee, Wis. 53203; (414)
224-6002

Total assets managed	$31,000,000
Tax-exempt assets managed:	
Total	$30,000,000
Separate accounts	$30,000,000
401(k)/457 assets managed	$500,000
No. of 401(k)/457 plans	2
Mortgage-backed assets	$600,000
Minimum separate account	$300,000
Tax-exempt clients	40
Types of accounts managed	C
No. of portfolio managers	2

Geneva Capital Management is an active equity, active and passive fixed-income and balanced manager.

Its equity approach focuses on growth stocks; emphasis is on companies with healthy balance sheets, market leadership positions, earnings dynamics, low-cost production and minimum annual sales of $100 million.

Bonds with maximum maturity of 10 years and minimum A rating are targeted; maturities are laddered.

The asset mix Jan. 1 was 40% equities, 53% bonds, 5% cash and 2% mortgage-backed securities.

William A. Priebe, president, is chief investment officer; Amy S. Croen, vice president, is client contact.

GeoCapital Corp.

655 Madison Ave., New York, N.Y.
10021; (212) 935-0111

Total assets managed	$579,000,000
Tax-exempt assets managed:	
Total	$533,000,000
Separate accounts	$533,000,000
Minimum separate account	$10,000,000
Tax-exempt clients	18
Types of accounts managed	CEFG
No. of portfolio managers	3

GeoCapital Corp., an active small-cap equity manager, uses a combination of high-growth technology in-

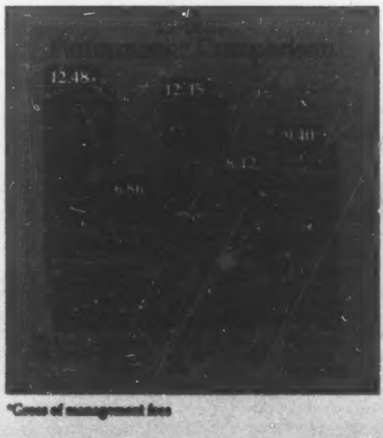
Beat
The Cycle.

First Wachovia's counter-cyclical approach to real estate investing outperforms the competition.

At First Wachovia, we recognized the benefits of real estate in the portfolio almost two decades ago. We saw positive real rates of return, diversification and low volatility.

So we developed a unique long-term formula for dealing with changes in the marketplace and shifting supply and demand.

Our counter-cyclical policy is simple but effective. In certain economic climates we buy quality land slated for development and assume the role – and the profits – of the developer. At other times we are better served by acquiring attractive, mature properties.



*Gross of management fees

This approach allows our customers to take advantage of any phase of the real estate cycle, with the staying power for long-term performance. And it brings them a return that outpaces the leading investment indices.

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If you'd like to know more, call Patricia Haralson at (919) 770-5862 or Bill Christie at (919) 770-5906.

FIRST WACHOVIA

vestments and companies selling below their long-term intrinsic value, thus providing reduced short-term volatility without sacrificing superior long-term return potential.

The asset mix Jan. 1 was 97% equities and 3% cash.

U.S. tax-exempt clients include GTE, Southwestern Bell, Batus and J.C. Penney.

Irwin Lieber, president, is chief investment officer; Fairfield Capital Associates serves as client contact, (203) 254-1215.

GeoVest Advisors Inc.

245 WillowBrook Office Park, 1451
Pittsford-Victor Road, Fairport, N.Y.
14450; (716) 248-5050

Total assets managed	$24,000,000
Tax-exempt assets managed:	
Total	$1,000,000
Separate accounts	$1,000,000
Minimum separate account	$100,000
Tax-exempt clients	2
Types of accounts managed	C
No. of portfolio managers	2
Size of research staff	2

GeoVest Advisors Inc. is an active equity, active fixed-income, balanced, active international fixed-income and short-term manager.

Its equity approach focuses on international market psychology, using market timing and a value orientation. Fixed-income investments are based on interest rate anticipation, with close monitoring of the impact of economic and political events worldwide.

Options and fixed-income futures are used.

Robert E. Reeves, president, is chief investment officer; Daniel E. Donnelly is client contact.

GIM Global Advisors Inc.

745 Broad St., Newark, N.J. 07101;
(201) 802-7805

Total assets managed	$57,000,000
Tax-exempt assets managed:	
Total	$57,000,000
Pooled accounts	$42,000,000
Separate accounts	$15,000,000
International equity assets	$37,000,000
International cash assets	$10,000,000
Minimum separate account	$10,000,000
Types of accounts managed	C
No. of portfolio managers	3
Size of research staff	4

GIM Global Advisors Inc., a global manager, takes a top-down, macroeconomic approach.

Country and sector rotation are used in equity investments. Interest rate anticipation is used for fixed-income investments, with technical research to actively manage country exposure, currencies and maturities. Options are used and stock index futures sometimes used.

The firm invests indirectly in real estate, using equity REITS or real estate companies.

The parent is B.V. Algemeen Vermogensbeheer (General Investment Management) GIM. The firm is affiliated with Prudential Asset Management.

The asset mix Jan. 1 was 68.4% equity, 14.2% cash and 17.4% international real estate securities.

Peter S. Zwart, chairman, is chief investment officer; Joseph D. Reed, president, is client contact.

Gintel Equity Management

Greenwich Office Park, Suite 6,
Greenwich, Conn. 06830; (203)
622-6400 or (800) 243-5808

Total assets managed	$208,000,000
Tax-exempt assets managed:	
Total	$81,000,000
Pooled accounts	$81,000,000
Minimum separate account	$5,000,000
Types of accounts managed	CEFJ
No. of portfolio managers	2
Size of research staff	3

Gintel Equity Management, an active equity manager, takes a value-oriented approach using low p/e and Graham & Dodd analysis. The firm looks for emerging growth stocks and is willing to concentrate in 25 stocks or less.

The asset mix Jan. 1 was 98% equities and 2% cash.

Robert Gintel is chief investment officer; A.L. Robinson Jr. is client contact.

GIT Investment Funds

1655 N. Fort Meyer Drive, Arlington,
Va. 22209; (703) 528-6500 or (800)
336-3063

Total assets managed	$367,000,000
No. of portfolio managers	2
Size of research staff	1

GIT Investment Funds is an active equity, active fixed-income and short-term manager.

Its equity approach emphasizes low p/e ratios and offers products in aggressive-growth, equity-income and growth-income funds.

The firm's primary fixed-income approach is driven by interest rate anticipation.

The firm cannot break out tax-exempt accounts from among its mutual fund clients.

Richard Gunn is chief investment officer; Pam Hincy is client contact.

The Glenmede Trust Co.

229 S. 18th St., Philadelphia, Pa.
19035; (215) 875-3200

Total assets managed	$4,500,000,000
Tax-exempt assets managed:	
Total	$3,700,000,000
Separate accounts	$3,700,000,000
Mortgage-backed assets	$600,000,000
International equity assets	$90,000,000
Minimum separate account	$1,000,000
Tax-exempt clients	34
Types of accounts managed	CEFGJ
No. of portfolio managers	8
Size of research staff	2

The Glenmede Trust Co. is an active equity and fixed-income, balanced, active international equity and short-term manager.

Its equity approach uses Graham & Dodd and quantitative analysis to identify low p/e stocks. It seeks equities with better-than-market financial characteristics with below-market multiples. Its fixed-income approach uses sector analysis. It observes historic spreads to invest in maturities and sectors with the most opportunity.

The firm does use options on a limited basis.

The asset mix Jan. 1 was 66% stocks, 10% bonds, 8% cash and 16% mortgage backed securities.

U.S. tax-exempt clients include Pew Memorial Trust, Pennsylvania State Teachers, Elwyn Institute and Grove City College.

John W. Church Jr., senior vice president, is chief investment officer; J. Thomas Dunlevy, Nancy C. Smith and Philip W. Young, vice presidents, are client contacts.

Glickenhaus & Co.

6 E. 43rd St., New York, N.Y.
10017-4641; (212) 953-7800

Total assets managed	$1,800,000,000
Tax-exempt assets managed:	
Total	$1,300,000,000
Pooled accounts	$20,000,000
Separate accounts	$1,280,000,000
401(k)/457 assets managed	$10,000,000
No. of 401(k)/457 plans	1
Minimum separate account	$4,000,000
Tax-exempt clients:	
Pooled	6
Separate	81
Types of accounts managed	CEFJG
No. of portfolio managers	12
Size of research staff	4

Glickenhaus & Co. is an active equity, active fixed-income and balanced manager.

Its risk-averse equity approach emphasizes preservation of capital. It uses a bottom-up stock selection process incorporating themes to identify opportunities. Fundamental analysis evaluates downside risk vs. profit potential. Stock characteristics include low p/e, high yield and low price to sales.

Its risk-conscious fixed-income approach uses interest rate anticipation, analyzing credit and maturity in relation to economic conditions, investing in high-quality issues.

The asset mix Jan. 1 was 80% equities, 12% bonds and 8% cash.

Clients include New York State Teachers, Philip Morris, ILGWU and Chrysler.

Seth M. Glickenhaus, senior partner, is chief investment officer; Connie Mosk Mazur, general partner, is client contact.

Globe Finlay Inc.

200 Park Ave., New York, N.Y. 10166;
(212) 557-7022

Total assets managed	$700,000,000
Tax-exempt assets managed:	
Total	$424,000,000
Separate accounts	$424,000,000
International equity assets	$382,000,000
International fixed-income assets	$200,000
International cash assets	$8,000,000
Minimum separate account	$20,000,000
Tax-exempt clients	11
Types of accounts managed	CEG
No. of portfolio managers	8
Size of research staff	3

Globe Finlay Inc. is a global equity and balanced manager.

The firm is an active allocator with a stock-selection discipline based on identifying companies with sustainable earnings growth rates priced at a discount to local market valuation criteria.

The asset mix Jan. 1 was 98% equities and 2% cash.

The parent is Globe Investment Trust.

Clients include Oregon, Delta Air Lines and Phelps Dodge.

Francis Finlay is chief investment officer; Frances Dakers and Maureen White are client contacts.

Gofen & Glossberg Inc.

401 N. Michigan Ave., Suite 3065,
Chicago, Ill. 60611; (312) 828-1100

Total assets managed	$5,751,000,000
Tax-exempt assets managed:	
Total	$425,000,000
Separate accounts	$425,000,000
Minimum separate account	$750,000
Tax-exempt clients	160
Types of accounts managed	CFJ
No. of portfolio managers	8
Size of research staff	4

Gofen & Glossberg Inc. is an active and passive equity, active and passive fixed-income, and short-term manager.

Its equity approach stresses a total return concept, using valuation techniques emphasizing the relationship of p/e ratios to anticipated growth rates.

Its fixed-income approach uses interest rate anticipation, seeking the maximum rate of return consistent with minimal volatility of principal values. Options are used.

The asset mix Jan. 1 was 40% stocks, 50% bonds and 10% cash.

William H. Gofen, president, is chief investment officer; Mark R. Goodman, executive vice president, is client contact.

J.C. Goodgal Inc.

600 Park Ave., Paterson, N.J. 07504;
(201) 278-2327

Total assets managed	$3,000,000
Tax-exempt assets managed:	
Total	$2,000,000
Separate accounts	$2,000,000
Minimum separate account	$100,000
Tax-exempt clients	10
Types of accounts managed	CF
No. of portfolio managers	1

J.C. Goodgal Inc., an active equity and balanced manager, follows a value-oriented approach focusing on a low beta, low p/e portfolio profile using Graham & Dodd analysis. Consideration of a top-down approach is given for balanced portfolios. Its fixed-income approach is passive, focusing on structured maturities. Options are used infrequently.

The asset mix Jan. 1 was 59.2% equities, 14.6% bonds and 26.2% cash.

Jay Charles Goodgal, president, is chief investment officer and client contact.

Govaars and Associates

2280 University Drive, Newport Beach,
Calif. 92660-9990; (714) 650-0675

Total assets managed	$2,864,000,000
Tax-exempt assets managed:	
Total	$39,000,000
Separate accounts	$39,000,000
Mortgage-backed assets	$10,000,000
Minimum separate account	$5,000,000
Tax-exempt clients	2
Types of accounts managed	CG
No. of portfolio managers	5
Size of research staff	3

Govaars and Associates, an active fixed-income and short-term manager, attempts to add value by adjusting duration, rotating sectors and assessing relative values. Options and fixed-income futures are used.

The asset mix Jan. 1 was 50% bonds, 25% cash and 25% mortgage-backed securities.

W.B. Govaars II, president, is chief investment officer; Sid McCausland, vice president/portfolio manager, is client contact.

Gradison & Co. Inc.

580 Walnut St., Cincinnati, Ohio
45202; (513) 579-5866

Total assets managed	$200,000,000
Tax-exempt assets managed:	
Total	$100,000,000
Separate accounts	$100,000,000
Minimum separate account	$500,000
Tax-exempt clients	70
Types of accounts managed	CEFG
No. of portfolio managers	6
Size of research staff	3

Gradison & Co. Inc. is an active equity and balanced manager.

Its equity approach is growth- and value-oriented, using quantitative techniques. The approach is earnings driven and disciplined. Its fixed-income approach is passive, using government and agency securities in staggered maturities.

The asset mix Jan. 1 was 65% equities, 25% bonds and 10% cash.

The parent is Gradison Financial Services.

William J. Leugers Jr., executive vice president, is chief investment officer; Alfred M. Brunner, vice president, is client contact.

Graistone Realty Advisors

300 River Place, Suite 2050, Detroit,
Mich. 48207; (313) 259-9500

Total assets managed	$0
Minimum separate account	[illegible]
No. of portfolio managers	2
Size of research staff	3

Graistone Realty Advisors Inc., a real estate manager, invests in core real estate in second-tier cities or metropolitan statistical areas where there is little foreign investment. The firm invests for cash with modest leverage.

Charles E. Allen, president, is chief investment officer; David McKinney, director of marketing, is client contact.

Granahan Investment Management Inc.

303 Wyman St., Waltham, Mass.
02154; (617) 890-4412

Total assets managed	$73,000,000
Tax-exempt assets managed:	
Total	$36,000,000
Pooled accounts	$36,000,000
Minimum separate account	$5,000,000
Types of accounts managed	CEF
No. of portfolio managers	1
Size of research staff	3

Granahan Investment Management Inc., an active equity manager, emphasizes investments in small companies.

The asset mix Jan. 1 was 80% stocks and 20% cash.

The firm follows 100 stocks closely and 200, generally; all research is generated internally.

John J. Granahan is chief investment officer; Jane M. White is client contact.

Grantham, Mayo, Van Otterloo & Co. International

40 Rowes Wharf, Boston, Mass.
02110; (617) 330-7523

Total assets managed	$2,214,000,000
Tax-exempt assets managed:	
Total	$2,214,000,000
Pooled accounts	$1,782,000,000
Separate accounts	$432,000,000
International equity assets	$2,103,000,000
International cash assets	$111,000,000
Minimum separate account	$50,000,000
Tax-exempt clients:	
Pooled	32
Separate	8
Types of accounts managed	CEF
No. of portfolio managers	5
Size of research staff	3

Grantham, Mayo, Van Otterloo & Co. International is an international and global equity manager.

Its International Quantitative Equities pool uses quantitative analytical screening techniques to achieve low-beta foreign equity exposure with a low p/e profile. Portfolio turnover averages less than 20% per year. A Japan fund and small-stocks fund are offered.

The asset mix Jan. 1 was 95% stocks and 5% cash.

Clients include Scott Paper, FMC, The Common Fund and 3M.

The parent is Grantham, Mayo, Van Otterloo & Co.

Eyk Van Otterloo, partner, is chief investment officer; Susan Randall Harvey is client contact.

R.W. Graybill Ltd.

568 Spring Road, Elmhurst, Ill. 60126;
(312) 941-9490

Total assets managed	$50,000,000
Tax-exempt assets managed:	
Total	$32,000,000
Separate accounts	$32,000,000
Minimum separate account	$250,000
Tax-exempt clients	27
Types of accounts managed	CF
No. of portfolio managers	2
Size of research staff	2

R.W. Graybill Ltd., a balanced manager, uses fundamental analysis. Quantitative measures of valuation, bottom-up selection and growth stocks are used.

The asset mix Jan. 1 was 36% equities, 41% bonds and 23% cash.

R.W. Graybill is chief investment officer and client contact.

Great-West Life Assurance

8585 E. Orchard Road — 6T1,
Englewood, Colo. 80111-5012;
(303) 889-3295

Total assets managed	$15,191,000,000
Total discretionary assets	$13,939,000,000
Tax-exempt assets managed:	
Total	$6,300,000,000
Pooled accounts	$270,000,000
GICs	$1,452,000,000
Annuities	$1,253,000,000
Other	$3,325,000,000
401(k)/457 assets managed	$917,000,000
No. of 401(k)/457 plans	441
Equity real estate assets	$136,000,000
Mortgage assets	$2,362,000,000
Mortgage-backed assets	$286,000,000
Types of accounts managed	CEFJG
No. of portfolio managers	7
Size of research staff	350

Great-West Life Assurance Co. is an active and passive equity, active fixed-income, balanced, real estate, short-term and GIC manager.

In equities, it uses both indexed and growth stock approaches. In fixed income, it uses interest rate anticipation, sector analysis and yield curve analysis. Mortgages represent a core holding, supplemented by an aggressively traded bond portfolio.

Both open- and closed-end funds are used for real estate accounts.

The separate account asset mix Jan. 1 was 49% stocks, 39% bonds and 12% cash.

The parent is Power Corp. of Canada.

Clients include American Dental Association, Manville and Ace Hardware.

Marshall Smith, executive vice president-investments, is chief investment officer; Graham McDonald, vice president-group pension, is client contact.

David J. Greene and Co.

30 Wall St., New York, N.Y. 10005;
(212) 344-5180

Total assets managed	$1,182,000,000
Tax-exempt assets managed:	
Total	$929,000,000
Separate accounts	$929,000,000
Minimum separate account	$1,000,000
Tax-exempt clients	97
Types of accounts managed	CEF
No. of portfolio managers	7
Size of research staff	10

David J. Greene and Co., an active equity manager, invests in undervalued stocks at prices that do not reflect earnings power, cash flow and asset values, with particular emphasis on special situation stocks.

The asset mix Jan. 1 was 65% stocks and 35% bonds.

The firm follows 100 stocks closely and 300, generally.

Clients include U S WEST, CPC, FNMA and Supermarkets General.

Alan I. Greene, managing partner, is chief investment officer; Erwin A. Zeuschner, partner-investment advisory department, is client contact.

Greenleaf Capital Management

803 Tower East, 20600 Chagrin Blvd.,
Shaker Heights, Ohio 44122; (216) 752-8900

Total assets managed	$446,000,000
Tax-exempt assets managed	
Total	$391,000,000
Separate accounts	$391,000,000
International equity assets	$10,000,000
Minimum separate account	$1,000,000
Tax-exempt clients	71
Types of accounts managed	CF
No. of portfolio managers	4
Size of research staff	3

Greenleaf Capital Management is an active equity, passive fixed-income, balanced and active global international equity manager.

Its primary equity approach emphasizes inefficiently priced emerging growth and low p/e stocks.

The firm's primary fixed-income approach uses interest rate anticipation, investing in intermediate high-quality bonds.

Options and stock index futures are used.

The asset mix Jan. 1 was 38% equities, 42% bonds and 20% cash.

The parent is Greenleaf Capital Management Services.

Geofrey J. Greenleaf, chairman and president, is chief investment officer; S.S. McMillan III, vice chairman, is client contact.

Greenwich Asset Management Inc.

600 Steamboat Road, Greenwich,
Conn. 06830; (203) 629-3711

Total assets managed	$140,000,000
Tax-exempt assets managed	
Total	$137,000,000
Pooled accounts	$1,000,000
Separate accounts	$136,000,000
Minimum separate account	$5,000,000
Tax-exempt clients	
Pooled	1
Separate	5
Types of accounts managed	E
No. of portfolio managers	2
Size of research staff	1

Greenwich Asset Management Inc., an active fixed-income, short-term and liability manager, bases investments on volatility management, seeking to protect against losses when interest rates rise and realize substantial capital appreciation during rallies. Portfolios consist of short-term instruments and calls on bonds. Options are used.

The asset mix Jan. 1 was 98% short-term securities and 2% options.

The parent is Greenwich Capital Markets Inc.

Elliott R. Detchon III, president, is chief investment officer. Client contact is James C. Vogelzang, Vogelzang & Associates Inc., 600 17th St. Suite 2325 S, Denver, Colo. 80202; (303) 629-1900.

Greenwood Capital Associates Inc.

P.O. Box 3181, Greenwood, S.C.
29648; (803) 229-2571

Total assets managed	$270,000,000
Tax-exempt assets managed	
Total	$172,000,000
Pooled accounts	$1,000,000
Separate accounts	$171,000,000
401(k)/457 assets managed	$15,000,000
No. of 401(k)/457 plans	2
Mortgage-backed assets	$17,000,000
International fixed-income assets	$1,000,000
Minimum separate account	$250,000
Tax-exempt clients	
Pooled	1
Separate	42
Types of accounts managed	CEF
No. of portfolio managers	4

Greenwood Capital Associates Inc. is an active equity, active fixed-income, balanced and short-term manager.

Its equity approach is value-oriented, using growth and low p/e stocks, sector rotation, Graham & Dodd analysis and market timing/tactical asset allocation. Its fixed-income approach is conservative, driven by interest rate anticipation and sector analysis. Options are used.

The asset mix Jan. 1 was 40% equities, 40% bonds, 10% cash and 10% mortgage-backed securities.

William B. Allin, vice president, is chief investment officer and client contact.

Griffin Capital Corp.

237 Park Ave. Suite 2100, New York,
N.Y. 10017; (212) 551-1414

Total assets managed	$95,000,000
Tax-exempt assets managed	
Total	$75,000,000
Separate accounts	$75,000,000
Equity real estate assets	$75,000,000
Minimum separate account	$2,000,000
Tax-exempt clients	7
Types of accounts managed	C
No. of portfolio managers	2
Size of research staff	3

Griffin Capital Corp., a real estate manager, provides competitive long-term financing for companies by purchasing corporate real estate assets on a sale-leaseback basis.

Investment objectives are the preservation of capital, the creation of long-term passive premium yield income and capital appreciation. Property-specific investments are funded through a group of taxable corporations and with tax-exempt GIC or conventional mortgage financing.

All assets were in equity real estate Jan. 1.

Robert M.T. Jutson Jr., managing director, is chief investment officer and client contact.

T.M. Griffing Associates Inc.

111 Broadway, Suite 1125, New York,
N.Y. 10006; (212) 385-9337

Total assets managed	$10,000,000
Tax-exempt assets managed	
Total	$2,000,000
Separate accounts	$2,000,000
401(k)/457 assets	$1,000,000
No. of 401(k)/457 plans	3
Mortgage-backed assets	$500,000
Tax-exempt clients	5
Types of accounts managed	C
No. of portfolio managers	1

T.M. Griffing Associates Inc. is an active equity, active and passive fixed-income, balanced and short-term manager.

The firm uses a fundamental research approach to equities, stressing value and earnings growth. In fixed-income, the firm sets standards of yield, quality, maturity and marketability. Interest rate anticipation is used. Options are used on a limited basis.

The asset mix Jan. 1 was 60% equities, 30% bonds and 10% cash.

Thomas M. Griffing, president, is chief investment officer and client contact.

Growth Stock Outlook Inc.

4405 East-West Highway, Suite 305,
Bethesda, Md. 20814; (301) 654-5205

Total assets managed	$415,000,000
Tax-exempt assets managed	
Total	$415,000,000
Separate accounts	$415,000,000
International equity assets	$5,000,006
Minimum separate account	$175,000
Tax-exempt clients	690
Types of accounts managed	CJ
No. of portfolio managers	1
Size of research staff	8

Growth Stock Outlook Inc., an active equity manager, focuses on growth stocks and value, using low p/es and Graham & Dodd analysis.

The asset mix Jan. 1 was 22% stocks, 39% bonds and 39% cash.

The firm follows 300 stocks closely and 700, generally; all research is generated internally.

Charles Allmon, president, is chief investment officer and client contact.

Grubb & Ellis Realty Advisers

1 Montgomery-Telesis Tower, San
Francisco, Calif. 94104; (415) 956-1990

Total assets managed	$673,000,000
Tax-exempt assets managed	
Total	$184,000,000
Pooled accounts	$80,000,000
Separate accounts	$104,000,000
Equity real estate assets	$181,000,000
Mortgage assets	$3,000,000
Minimum separate account	$25,000,000
Tax-exempt clients	
Pooled	7
Separate	4
Types of accounts managed	CG
No. of portfolio managers	3
Size of research staff	2

Grubb & Ellis Realty Advisers is a real estate manager with a research-oriented approach.

The firm concentrates on markets that demonstrate above-average growth with sufficient depth to ensure liquidity and business diversification to minimize exposure to single industries. It focuses on redevelopment, renovation and re-leasing of undermanaged and underused properties.

The asset mix Jan. 1 was 98% equity real estate and 2% mortgages.

The parent is Grubb & Ellis Co.

James Proud, president, is chief investment officer; Richard Cortese, vice president and director of marketing, is client contact.

Gryphon Investment Counsel Inc.

2000 Peel St., Suite 710, Montreal,
Quebec H3A 2W5; (514) 288-4122

Total assets managed	$4,953,000,000
Tax-exempt assets managed	
Total	$4,953,000,000
Pooled accounts	$154,000,000
Separate accounts	$4,799,000,000
For subsidiaries of U.S. firms	$1,033,000,000
Minimum separate account	$60,000,000
Tax-exempt clients	
Pooled	1
Separate	71
U.S. subsidiaries	17
Types of accounts managed	CEFGU
No. of portfolio managers	6
Size of research staff	2

Gryphon Investment Counsel Inc., a Canadian firm, is an active equity, active fixed-income, balanced and short-term manager.

Its equity approach uses sector rotation, market timing and fundamental analysis. Stock selection within sectors is dependent on in-house research.

Its fixed-income approach emphasizes active interest rate timing, with goals of preservation and enhancement of capital. Concentration is in high-quality marketable bonds and cash, when appropriate.

The asset mix Jan. 1 was 47.7% Canadian stocks, 6.1% U.S. stocks, 35.1% bonds and 11.1% cash.

George B. Kiddell, president and managing partner, is chief investment officer; Ronald E.F. Kaulbach, managing partner, is client contact.

G.T. Capital Management

50 California St., 27th Floor, San
Francisco, Calif. 94111; (415) 392-6181

Total assets managed	$1,360,000,000
Tax-exempt assets managed	
Total	$458,000,000
Pooled accounts	$5,000,000
Separate accounts	$453,000,000
International equity assets	$440,000,000
Minimum separate account	$10,000,000
Tax-exempt clients	
Pooled	2
Separate	5
Types of accounts managed	C
No. of portfolio managers	26
Size of research staff	5

G.T. Capital Management is an active domestic and international equity and fixed-income manager.

Its equity approach emphasizes early identification of major international trends, targeting appropriate countries and companies through which to exploit such trends. It seeks growth companies with undiscounted earnings acceleration. Its fixed-income approach focuses on currency management, emphasizing flexible maturity rates. Options and fixed-income futures are used.

The asset mix Jan. 1 was 94% stocks and 6% cash.

The parent is G.T. Management PLC.

F. Christian Wignall is chief investment officer; Mary Lou Bernhoft is client contact.

Guaranty Trust Co. of Missouri

7701 Forsyth, Suite 1200, St. Louis,
Mo. 63105; (314) 725-9055

Total assets managed	$227,000,000
Tax-exempt assets managed	
Total	$41,000,000
Separate accounts	$41,000,000
401(k)/457 assets managed	$2,000,000
No. of 401(k)/457 plans	2
Minimum separate account	$200,000
Tax-exempt clients	28
Types of accounts managed	CF
No. of portfolio managers	3

Guaranty Trust Co. of Missouri is an active equity, active fixed-income, balanced, tactical asset allocation and short-term manager.

Its primary equity approach emphasizes growth stocks. Its primary fixed-income approach is based on interest rate anticipation and sector analysis.

The asset mix Jan. 1 was 28% stocks, 38% bonds, 29% cash and 5% other.

The parent is Central Bancompany Inc.

David H. Eckles is chief investment officer; Jack A. Dempsey, trust officer, is client contact.

Guardian Capital Inc.

110 Yonge St., 18th Floor, Toronto,
Ontario M5C 1T4; (416) 364-8341

Total assets managed	$1,200,000,000
Tax-exempt assets managed	
Total	$549,000,000
Pooled accounts	$14,000,000
Separate accounts	$535,000,000
For subsidiaries of U.S. firms	$146,000,000
Dedicated/immunized assets	$128,000,000
Minimum separate account	$8,000,000
Tax-exempt clients	
Pooled	9
Separate	21
U.S. subsidiaries	4
Types of accounts managed	CEFG
No. of portfolio managers	9
Size of research staff	2

Guardian Capital Inc., a Canadian firm, is an active equity, active fixed-income, balanced, active international equity and short-term manager.

Its primary equity approach is value-oriented, using low p/e stocks and Graham & Dodd analysis. Its primary fixed-income approach is interest rate anticipation.

The asset mix Jan. 1 was 38% Canadian stocks, 10% U.S. stocks, 40% bonds and 12% cash.

The parent is Capital Guardian Group Ltd.

Andrew N. Smith, managing director, is chief investment officer and client contact.

Guardian Timing Services

74 Victoria St., Third Floor, Toronto,
Ontario M5C 2A5; (416) 863-1100

Total assets managed	$10,000,000
Tax-exempt assets managed	$10,000,000
Types of accounts managed	C
No. of portfolio managers	1

Guardian Timing Services Inc., a Canadian firm, is an equity manager.

The firm offers market timing and portfolio insurance services to its clients, applying those techniques to equity indexed funds.

Jean-Pierre Fruchet, president, is chief investment officer and client contact.

Guild Investment Management Inc.

22761 Pacific Coast Hwy., Suite 226,
Malibu, Calif. 90265; (213) 456-8100

Total assets managed	$60,000,000
Tax-exempt assets managed	
Total	$30,000,000
Pooled accounts	$3,000,000
Separate accounts	$27,000,000
Minimum separate account	$1,000,000
Tax-exempt clients	
Pooled	2
Separate	25
Types of accounts managed	CEF
No. of portfolio managers	2
Size of research staff	1

Guild Investment Management Inc. is an active equity, active and passive fixed-income, balanced and active international equity manager.

Its top-down equity approach is used to define macroeconomic trends, identifying industries and stocks with rising earnings and price momentum that are benefiting from those trends. Its fixed-income approach emphasizes duration modifications based on secular interest rate projections; high-quality securities are used. Options are used.

The asset mix Jan. 1 was 60% stocks, 20% bonds and 20% cash.

Montague Guild Jr., president, is chief investment officer; Allen Teague, vice president, is client contact.

Pensions & Investment Age takes a look at 401(k) plans in the Aug. 7 issue.

25 largest bond index fund managers

Firm	$ mils.*
Wells Fargo	6,259
Mellon Bond	5,398
Mitchell Hutchins	5,070
Mellon Capital	2,975
Lincoln Capital	2,817
Lehman Mgmt.	2,700
Bankers Trust	2,385
T. Rowe Price	2,250
State Street Bank	2,130
W.R. Lazard	1,679
Putnam	1,639
ANB Investment	900
Security Capital	869
Prudential Asset	404
Northern Investment	401
Fidelity Mgmt. Trust	383
Chase Investors	363
BEA Associates	325
Fiduciary Trust	310
Capstone Asset	277
First Wisconsin Trust	250
Boston Co.	235
Todd Investment	223
Harris Trust	195
Bear Stearns Asset	180
TOTAL	40,617

* discretionary, tax-exempt assets

Gulf Investment Management Inc.

820 Gessner, Suite 720, Houston,
Texas 77024-4258; (713) 461-0660

Total assets managed	$298,000,000
Tax-exempt assets managed	
Total	$250,000,000
Separate accounts	$250,000,000
Minimum separate account	$1,000,000
Tax-exempt clients	26
Types of accounts managed	CEFJG
No. of portfolio managers	3

Gulf Investment Management Inc., an active equity and balanced manager, uses a Graham & Dodd intrinsic value approach, with an emphasis on out-of-favor securities. Two investment disciplines underlie its buy/sell decisions.

The asset mix Jan. 1 was 90% stocks, 2% bonds and 8% cash.

The firm follows 30 stocks closely and 250, generally; 50% of research is generated internally.

Clients include Houston Firemen, Texas New Mexico Power and BASF.

Thomas G. Macrini, president, is chief investment officer; T. Charles Toomey, vice president, is client contact.

H

R.B. Haave Associates Inc.

270 Madison Ave., New York, N.Y.
10016; (212) 889-4477

Total assets managed	$41,000,000
Tax-exempt assets managed	
Total	$39,000,000
Separate accounts	$39,000,000
401(k)/457 assets managed	$400,000
No. of 401(k)/457 plans	3
Minimum separate account	$500,000
Tax-exempt clients	2
Types of accounts managed	C
No. of portfolio managers	1
Size of research staff	2

R.B. Haave Associates Inc., an equity manager, targets undervalued stocks in relatively undervalued industries before positive changes in economic trends. Its uses Graham & Dodd analysis and sector rotation, and emphasizes corporate cash flow and research and development.

The asset mix Jan. 1 was 88% stocks, 2% bonds and 10% cash.

Ronald B. Haave, president, is chief investment officer and client contact.

Hagler, Mastrovita & Hewitt

1 International Place, Suite 3190,
Boston, Mass. 02110; (617) 439-0440

Total assets managed	$1,577,000,000
Tax-exempt assets managed	
Total	$1,577,000,000
Separate accounts	$1,577,000,000

401(k)/457 assets managed	$132,000,000
No. of 401(k)/457 plans	1
International equity assets	$19,000,000
Minimum separate account	$50,000,000
Tax-exempt clients	19
Types of accounts managed	CEFG
No. of portfolio managers	3

Hagler, Mastrovita & Hewitt Inc. is an equity and balanced manager.

Its equity approach identifies value, concentrating on major decisions and careful attention to risk management.

Its fixed-income approach is focused on quality and maturity decisions, comparing expected returns and risks across the market spectrum.

The asset mix Jan. 1 was 71% stocks, 8% bonds and 21% cash.

The parent company is United Asset Management.

Clients include Ford Foundation, Abbott Labs and Williams College.

Robert P. Mastrovita, president, is chief investment officer; Jon L. Hagler, chairman, is client contact.

Hahn Holland & Grossman

180 N. Wacker Drive, Suite 350,
Chicago, Ill. 60606; (312) 984-3580

Total assets managed	$875,000,000
Tax-exempt assets managed	
Total	$783,000,000
Pooled accounts	$94,000,000
Separate accounts	$689,000,000
Equity indexed assets	$145,000,000
Minimum separate account	$3,000,000
Tax-exempt clients	
Pooled	5
Separate	40
Types of accounts managed	CEFJG
No. of portfolio managers	3
Size of research staff	5

Hahn Holland & Grossman is an active equity, active fixed-income and balanced manager.

Its equity approach emphasizes conserving capital in falling markets. The firm uses a top-down method concentrating on evaluation of market direction, identification of attractive industries and large-cap, value-oriented stocks. Stock index futures are used.

Its fixed-income approach uses interest rate forecasts to structure portfolios with long, intermediate or short obligations from government or AAA corporate securities depending on yield spreads.

The asset mix Jan. 1 was 30% stocks, 55% bonds and 15% cash.

The firm follows 135 stocks closely and 1,000 generally; 80% of research is generated internally.

U.S. tax-exempt clients include University of Minnesota, Chicago Laborers, Chrysler and Giant Foods.

Donald Hahn, partner, is chief investment officer; Kenneth Grossman, partner, is client contact.

Halbert, Hargrove/Russell

200 Pine Ave., Suite 409, Long Beach,
Calif. 90802; (213) 435-5657

Total assets managed	$41,000,000
Tax-exempt assets managed	
Total	$17,000,000
Assigned to other firms	$17,000,000
Tax-exempt clients	31
Types of accounts managed	CFJ
No. of portfolio managers	2
Size of research staff	1

Halbert, Hargrove/Russell uses a multimanager, multistyle approach to offer active equity, active fixed-income, balanced, tactical asset allocation, active international/global equity and active international/global fixed-income management.

Equity and fixed-income portfolios are created with pre-weighted percentages of each investment style. Portfolios are distributed in clients accounts based on investment policy.

The asset mix Jan. 1 was 48% equity, 30% bonds, 6% equity real estate and 16% cash.

Scott Mokler is the chief investment officer; Russell T. Hill is the client contact.

Hallmark Capital Management Inc.

1 Exchange Plaza, New York, N.Y.
10006; (212) 363-4480

Total assets managed	$113,000,000
Tax-exempt assets managed	
Total	$89,000,000
Pooled accounts	$1,000,000
Separate accounts	$88,000,000
Minimum separate account	$3,000,000
Tax-exempt clients	
Pooled	2
Separate	24
Types of accounts managed	CEFJ
No. of portfolio managers	2
Size of research staff	1

Hallmark Capital Management Inc. is a balanced manager.

It takes a value-oriented equity approach focusing on low p/e stocks and using Graham & Dodd analysis. Its fixed-income approach is defensive, with emphasis on short and intermediate Treasury, agency and high-grade corporate issues.

The asset mix Jan. 1 was 33% equity, 51% bonds and 16% cash.

The parent is Prudential Insurance Co. of America.

Robert L. Ardizzone, managing director, is chief investment officer; Peter S. Hagerman, mana[illegible]tor, is client contact.

Funding retiree heal[illegible] benefits: May 29.

Hambrecht & Quist Equity Management

1 Bush St., San Francisco, Calif.
94104; (415) 986-5115

Total assets managed	$30,000,000
Tax-exempt assets managed	
Total	$30,000,000
Separate accounts	$30,000,000
401(k)/457 assets managed	$1,000,000
No. of 401(k)/457 plans	2
Minimum separate account	$500,000
Tax-exempt clients	5
Types of accounts managed	CE
No. of portfolio managers	2
Size of research staff	2

Hambrecht & Quist Equity Management, an active equity manager, invests in emerging growth stocks. It focuses on small-cap, high growth, technology stocks using both quantitative and qualitative measures.

The parent company is Hambrecht & Quist Group.

Clients include Carnegie Mellon University endowment and Equifax.

Michael T. Jackson is chief investment officer; Nancy Forbes is client contact.

John Hancock Capital Growth Management Inc.

260 Franklin St., Boston, Mass. 02110;
(617) 439-6300

See entry for JOHN HANCOCK FINANCIAL SERVICES.

John Hancock Financial Services

P.O. Box 111, Boston, Mass. 02117;
(617) 572-4520

Total assets managed	$47,058,000,000
Total discretionary assets	$47,058,000,000
Tax-exempt assets managed:	
Total	$15,843,000,000
Pooled accounts	$1,503,000,000
Separate accounts	$748,000,000
GICs	$7,190,000,000
Annuities	$1,760,000,000
Other	$4,642,000,000
Equity real estate assets	$1,023,000,000
Mortgage assets	$5,197,000,000
International equity assets	$14,000,000
Tax-exempt clients:	
Pooled	267
Separate	3
Types of accounts managed	CEFJG

John Hancock Financial Services, through its subsidiaries, is an equity, fixed-income, balanced, real estate, international, short-term, GIC, timber, venture capital and private placements manager.

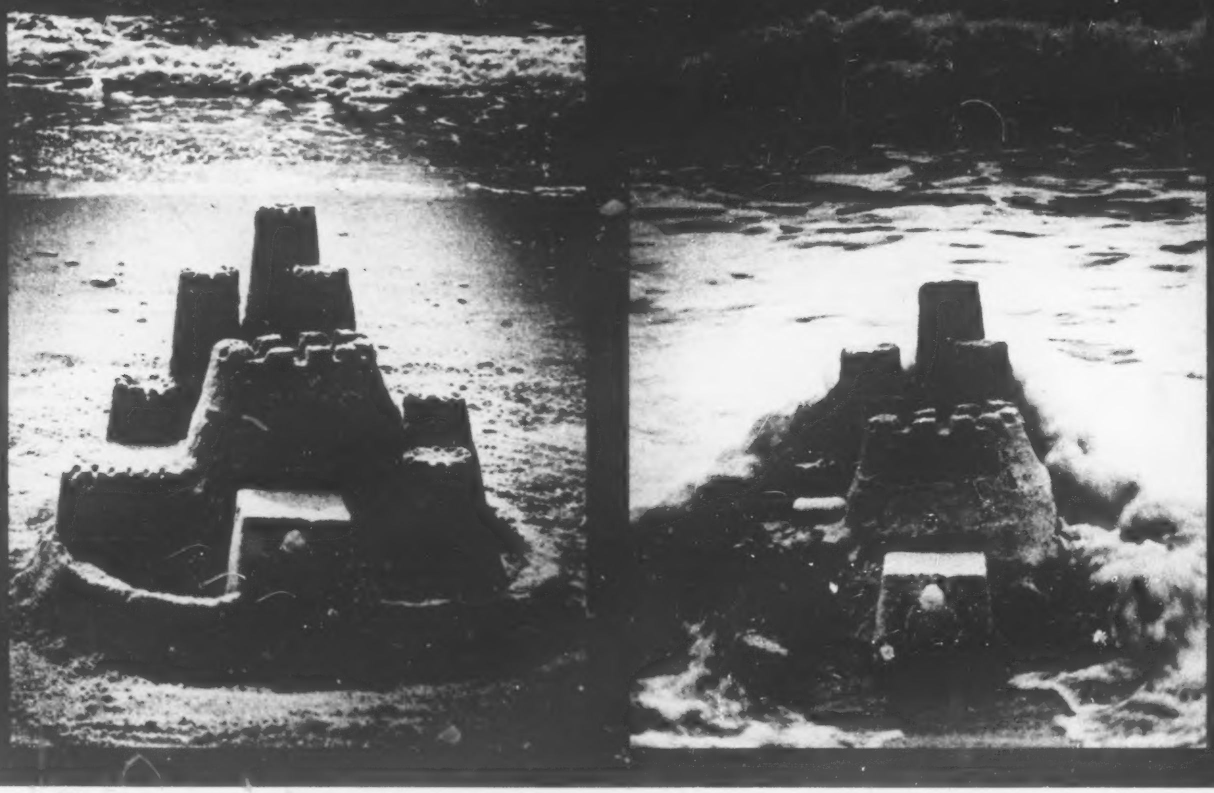
Equity and fixed-income investments are managed by Independence Investment Associates, profiled separately in this issue.

The separate account asset mix Jan. 1 was 1% equity; 17% bonds; 6% cash; 19% equity real estate; and 57% in timber, venture capital and capital growth.

Clients include Eastman Kodak, Honeywell, Detroit Retirement Systems and State of Connecticut Trust Funds.

Foster L. Aborn, president-investment and pension sector, is chief investment officer; George F. Miller, se-

Will Your Real Estate Investment Withstand The Test Of Time?



At any given moment, many real estate investments may seem pretty solid. But what happens when you look beyond their short run return at how they perform against the assault of an ever-changing economic environment?

With consistently high returns, the NCNB Real Estate Fund has climbed to the crest of the industry in recent years. An average annual return of 14.5%* over the last 10 years continues to position us as a superior open-end fund real estate manager.

In addition, our experienced team of leasing, architectural, construction, and finance specialists have developed high quality properties in the thriving Southeast. This effort has produced excellent results through the economy's ebb and flow. Call Mark Coltrin, NCNB Trust Group Vice-President for details at (704) 374-8405, or write him at One NCNB Plaza, T09-1, Charlotte, NC 28255.

NCNB

NCNB
REAL
ESTATE
FUND

*As reported by CDA Investment Technologies, Inc. for the period ending 12/31/88.

ior vice president, is client contact.

Four subsidiaries' assets are included in the data above.

- John Hancock Properties, a real state manager, manages $420 million tax-exempt assets

The firm offers a full range of equity-riented investments, including pooled nd individual accounts, joint ventures nd direct investments in commercial eal estate.

Kevin McGuire is chief investment fficer; John Kemble, vice president, is ient contact.

- The Hancock Timber Resource roup manages $410 million in tax-exmpt assets.

The firm provides active manageent of timber real estate investments rough an affiliation with two nationly recognized forestry firms. Both ooled and individual accounts are ofred.

John M. Lord Jr. is chief investment fficer; Richard Smith, senior timber eal estate investment officer, is client ontact.

- John Hancock Venture Capital anages $558 million in tax-exempt ssets.

Diversification is achieved by direct vestment in venture capital companies and other venture capital partershiips, as well as through investent in various stages of evelopment, industry and geography. ooled and individual accounts are ofred.

Edward Kane and Brooks Zug are anaging directors; Endicott Peabody ., executive investment officer, is client contact.

- John Hancock Capital Growth anages $236 million in tax-exempt ssets.

It offers mezzanine financing priarily to privately held, emerging, nongh-tech companies.

David B. Stocker is chief investment fficer; Mr. Peabody is client contact.

ohn Hancock Properties

Copley Place, Suite 200, Boston,
Mass. 02117; (617) 572-3822

See entry for JOHN HANCOCK FINANCIAL SERVICES.

ohn Hancock Timber Resource Group

ohn Hancock Financial Services,
P.O. Box 111, Boston, Mass. 02117;
(617) 572-4525

See entry for JOHN HANCOCK FINANCIAL SERVICES.

ohn Hancock Venture Capital Management Inc.

Financial Center, Boston, Mass.
02111; (617) 350-4002

See entry for JOHN HANCOCK FINANCIAL SERVICES.

anson Investment Management

000 Civic Center Drive, Suite 200,
San Rafael, Calif. 94903; (415)
499-1400

Total assets managed	$732,000,000
Tax-exempt assets managed	
Total	$618,000,000
Pooled accounts	$9,000,000
Separate accounts	$609,000,000
Minimum separate account	$3,000,000
Tax-exempt clients	
Pooled	1
Separate	24
Types of accounts managed	CEFGJ
No. of portfolio managers	4
Size of research staff	1

Hanson Investment Management is an active equity and balanced manager.

It uses Graham & Dodd principles and emphasizes low p/e stocks in its value-oriented, bottom-up approach.

Its fixed-income approach uses interest rate anticipation.

The asset mix Jan. 1 was 75% stocks, 12% bonds and 13% cash.

The parent company is United Asset Management.

Clients include Hawaii, City and County of San Francisco, McKesson and Hawaii Laborers.

Herbert M. Hanson Jr. is chief investment officer and client contact.

Harbor Capital Management

265 Franklin St., Suite 1800, Boston,
Mass. 02110; (617) 439-4500

Total assets managed	$1,497,000,000
Tax-exempt assets managed	
Total	$1,497,000,000
Separate accounts	$1,497,000,000
Minimum separate account	$10,000,000
Tax-exempt clients	119
Types of accounts managed	CEFJ
No. of portfolio managers	7
Size of research staff	5

Harbor Capital Management Co. Inc. is an active equity, passive fixed-income and balanced manager.

Its equity approach emphasizes growth and low p/e stocks, using a disciplined, "bond-competitive" decision-making process and strong fundamental research. Stock index futures are used.

Its fixed-income approach is conservative, stressing a real rate of return using fundamental economic and interest rate analysis.

The asset mix Jan. 1 was 44% stocks, 42% bonds and 14% cash.

Clients include U.S. Military Academy, BIC, The Stanley Works and Painters District Council No. 35.

Baer Holding has a 15% interest in the firm.

Frederick G.P. Thorne is chief investment officer; E. William Hansen is client contact.

Harris Associates L.P.

2 N. LaSalle, Suite 500, Chicago, Ill.
60602; (312) 621-0378

Total assets managed	$3,141,000,000
Tax-exempt assets managed	
Total	$1,360,000,000
Separate accounts	$1,360,000,000
Minimum separate account	$5,000,000
Tax-exempt clients	175
Types of accounts managed	CEF
No. of portfolio managers	8
Size of research staff	9

Harris Associates L.P., an active equity and balanced manager, takes a value-oriented approach that produces portfolios with p/e and price/book ratios less than market, yield and ROE greater than market and positive-low volatility rates of return.

Its fixed-income approach is passive.

The asset mix Jan. 1 was 67% stocks, 12% bonds and 21% cash.

Clients include Federated Department Stores, Texaco, Budd and Dean Foods.

Myron R. Szold, principal, is chief investment officer; Albert A. Pisterzi, director of marketing, is client contact.

Harris Bretall Sullivan & Smith Inc.

1 Post St., Suite 2300, San Francisco,
Calif. 94104; (415) 391-8040

Total assets managed	$399,000,000
Tax-exempt assets managed	
Total	$326,000,000
Separate accounts	$326,000,000
Minimum separate account	$1,000,000
Tax-exempt clients	42
Types of accounts managed	CEFGJ
No. of portfolio managers	5
Size of research staff	10

Harris Bretall Sullivan & Smith Inc. is an active equity and fixed-income and short-term manager.

Its equity approach combines a disciplined selection process, focusing on growth stocks with strategic asset allocation. Its fixed-income approach uses interest rate anticipation and active yield curve analysis; Treasuries and agencies are purchased.

The asset mix Jan. 1 was 17% stocks, 35% stocks and 48% cash.

Clients include Roman Catholic Archdiocese of San Francisco, Children's Hospital of San Francisco, Alameda County (Calif.) and San Mateo County (Calif.).

Graeme Bretall is chief investment officer; Lauryn A. Bierdeman is client contact.

Harris Derivative Investments Inc.

30 S. Wacker, Suite 2816, Chicago, Ill.
60606; (312) 461-6200

Total assets managed	$228,000,000
Tax-exempt assets managed	
Total	$228,000,000
Pooled accounts	$128,000,000
Separate accounts	$100,000,000
Minimum separate account	$15,000,000
Tax-exempt clients	
Pooled	1
Separate	1
Types of accounts managed	C
No. of portfolio managers	2
Size of research staff	1

Harris Derivative Investments Inc., an active equity manager, provides enhanced core equity management by continuously holding the market in its most efficient form. Incremental returns are achieved on a consistent basis primarily through arbitrage and calendar spread trades in the derivative markets. Cash management is carefully integrated with outstanding future positions. Options and stock index futures are used.

All assets were in stocks on Jan. 1.

The parent is Harris Bankcorp.

Clients include Ameritech.

Edward B. Dillman, president, is chief investment officer; Stephen J. Krisik, executive vice president, is client contact.

Harris, Greenhouse, Kutzel

56 Beaver St., Suite 403, New York,
N.Y. 10004; (212) 514-9300

Total assets managed	$700,000,000
Tax-exempt assets managed	
Total	$700,000,000
Separate accounts	$700,000,000
Minimum separate account	$1,000,000
Tax-exempt clients	70
Types of accounts managed	CJ
No. of portfolio managers	6

Harris, Greenhouse, Kutzel Inc. is an active equity and fixed-income, balanced and short-term manager.

Following its value-oriented equity approach, the firm buys out-of-favor issues that offer above-average growth potential.

Its fixed-income approach is based on interest rate anticipation, with a maturity schedule of 10 years or less.

The asset mix Jan. 1 was 50% stocks, 40% bonds and 10% cash.

Warren A. Greenhouse, managing director, is chief investment officer; Joseph E. Kutzel, managing director, is client contact.

Harris Trust and Savings Bank

P.O. Box 755, 190 LaSalle St.,
Chicago, Ill. 60690; (312) 461-2121

Total assets managed	$14,000,000,000
Tax-exempt assets managed:	
Total	$8,496,000,000
Commingled accounts	$3,910,000,000
Separate accounts	$4,586,000,000
401(k)/457 assets managed	$160,000,000
No. of 401(k)/457 plans	70
Real estate equity assets	$39,000,000
Mortgage-backed assets	$100,000,000
International equity assets	$25,000,000
Equity indexed assets	$214,000,000
Fixed-income indexed assets	$195,000,000
Dedicated/immunized assets	$351,000,000
Tax-exempt clients:	
Commingled	450
Separate	255
Types of accounts managed	CEFGJ
No. of portfolio managers	13
Size of research staff	10

Harris Trust and Savings Bank is an active and passive equity, active and passive fixed-income, balanced, tactical asset allocation, real estate and active international equity manager.

Its primary equity approach incorporates a five-factor model: low p/e; dividend discount; earnings momentum; earnings estimate change; and price momentum. Stocks then are ranked by a process that weights each model to its predictive power.

Its fixed-income approach uses a structured decision-making process reliant on quantitative models to establish exposure in duration, term structure and sector/quality.

Options, stock index and fixed-income futures are used.

Real estate investments are equity oriented and made in unleveraged industrial, retail and office properties in the $1 million to $3 million range.

The asset mix Jan. 1 was 24% stocks, 34% bonds, 40% cash, 1% equity real estate and 1% mortgage-backed securities.

The parent is Bank of Montreal.

John C. Kirscher, senior vice president, is chief investment officer; Robert E. Vanden Bosch, senior vice president, is client contact.

Hartford Life Insurance Co.

P.O. Box 2999, Hartford, Conn.
06104-2999; (203) 843-8032

Total assets managed	$6,200,000,000
Total discretionary assets	$4,700,000,000
Tax-exempt assets managed	
Total	$4,700,000,000
Pooled accounts	$600,000,000
GICs	$1,550,000,000
Other	$2,550,000,000
401(k)/457 assets managed	$1,400,000,000
No. of 401(k)/457 plans	1,220
Mortgage-backed assets	$1,600,000,000
Types of accounts managed	CEFGJ
No. of portfolio managers	6
Size of research staff	12

Hartford Life Insurance Co. is an equity, fixed-income, balanced and real estate manager.

Its equity approach emphasizes growth stocks. Long-term capital growth is obtained by maximizing the total return.

Its fixed-income approach uses interest rate anticipation, and anticipates changes in the yield curve, quality spreads and maturities. Active portfolio management strategies are based on close analysis of the interplay between the economy and financial markets.

In real estate, Hartford Life seeks a rising annual yield as net income increases, in hopes of obtaining significant appreciation.

Options and fixed-income futures are used.

The asset mix Jan. 1 was 90% stocks, 3.5% bonds, 1.3% cash, 2.8% equity real estate and 2.4% mortgages.

The parent company is ITT.

Clients include B.F. Goodrich, Gillette and GTE.

Edward N. Bennett, senior vice president, is chief investment officer; Charles A. Clinton, assistant vice president, is client contact.

Harvest Capital Management

7007 Lafayette Ave., P.O. Box 923,
Fort Washington, Pa. 19034; (215)
542-0282

Total assets managed	$0
Tax-exempt assets managed	
Total	$0
Minimum separate account	$5,000,000
No. of portfolio managers	2

Harvest Capital Management, an active equity manager, uses yield factors to achieve capital appreciation through a highly disciplined methodology based on the belief that dividends and their relative yield are the most reliable determinants of high total return.

Thomas G. Evans, chairman and managing director, is chief investment officer and client contact.

Haven Capital Management

605 Third Ave., 27th Floor, New York,
N.Y. 10158; (212) 953-2322

Total assets managed	$532,000,000
Tax-exempt assets managed	
Total	$363,000,000
Separate accounts	$363,000,000
Mortgage-backed assets	$15,000,000
Dedicated/immunized assets	$9,000,000
Tax-exempt clients:	
Separate	23
Types of accounts managed	CEF
No. of portfolio managers	5

Haven Capital Management Inc. is an active equity and fixed-income and balanced manager.

Its equity approach is growth at a reasonable price, based on individual issue selection of undervalued companies. Historical data are examined to identify attractively priced companies with above-average characteristics.

Its fixed-income approach is based on interest rate anticipation derived from economic cycle analysis. Maturity selection is followed by sector and quality judgments to produce consistent competitive returns with low volatility.

The asset mix Jan. 1 was 62% stocks, 28% bonds and 10% cash.

Clients include Pennsylvania Power & Light, Diebold, Cox Enterprises and Dr. Scholl Foundation.

Denis M. Turko, managing director, is client contact.

Hawaiian Trust Co. Ltd.

P.O. Box 3170, Honolulu, Hawaii
96802; (808) 538-4622

Total assets managed	$4,500,000,000
Tax-exempt assets managed:	
Total	$1,300,000,000
Commingled accounts	$230,000,000
Separate accounts	$1,070,000,000
Real estate equity assets	$8,000,000
International equity assets	$11,000,000
Minimum separate account	$500,000
Tax-exempt clients:	
Commingled	630
Separate	35
Types of accounts managed	CEFJ
No. of portfolio managers	10
Size of research staff	3

Hawaiian Trust Co. Ltd. is an active equity, active and passive fixed-income, balanced, real estate, active in-

Denver Investment Advisors, Inc.

633 Seventeenth Street; Suite 1800
Post Office Box 17487
Denver, Colorado 80217

Dennis E. Larkin
Vice President
(303) 293-5588

Equity ▪ Balanced ▪ Fixed Portfolios

ternational and short-term manager.

Its equity approach emphasizes growth stocks; earnings momentum/surprises are weighted.

In fixed income, it invests in Treasury bonds. Changes in maturity and duration are based on the firm's interest rate outlook.

The asset mix Jan. 1 was 40% stocks, 36% bonds, 23% cash and 1% equity real estate.

The parent company is Bank of Hawaii.

Clients include Alexander & Baldwin, Hawaii Stevedores and Star Markets.

William J. Barton, senior vice president, is chief investment officer; Reid Smith, investment officer, is client contact.

Hayden, Tolzmann & Associates Inc.

693 Bloomfield Ave., P.O. Drawer 708,
Bloomfield, Conn. 06002-0708;
(203) 243-1481

Total assets managed	$17,000,000
Tax-exempt assets managed	
Total	$17,000,000
Separate accounts	$17,000,000
Equity real estate assets	$17,000,000
Minimum separate account	$10,000,000
Tax-exempt clients	1
Types of accounts managed	C
No. of portfolio managers	2
Size of research staff	1

Hayden, Tolzmann & Associates Inc., a real estate manager, stresses acquisition of existing, leased, income-producing real estate — leveraged and unleveraged — such as mixed use, research and development, office, industrial and retail properties nationwide.

The parent company is CenterBanc Financial Services Inc.

Its client is Reynolds Metals.

David C. Tolzmann, president, is chief investment officer; Debra De Vries-Dalton, vice president, is client contact.

HD International

126 E. 56th St., New York, N.Y.
10022; (212) 753-0600

Total assets managed	$299,000,000
Tax-exempt assets managed	
Total	$93,000,000
Separate accounts	$93,000,000
International equity assets	$77,000,000
International fixed-income assets	$8,000,000
International cash assets	$8,000,000
Minimum separate account	$10,000,000
Tax-exempt clients	5
Types of accounts managed	C
No. of portfolio managers	7

HD International is an active international equity and balanced manager.

The firm focuses on growth for market allocation and stock selection. Market return forecasts are translated into market allocations concentrated in three or four markets using a quantitative model. Stocks are selected using strict valuation criteria.

The asset mix Jan. 1 was 83% foreign stocks, 8% foreign bonds and 9% foreign cash.

Clients include American Airlines, Schlumberger, Frank Russell Trust and Power Financial Corp.

James Heyworth-Dunne, managing director, is chief investment officer; Elliott Gartner, executive vice president-U.S. marketing, is client contact.

Heartland Capital Management Inc.

36 S. Pennsylvania St., Suite 610,
Indianapolis, Ind. 46204; (317)
633-4080

Total assets managed	$288,000,000
Tax-exempt assets managed	
Total	$190,000,000
Separate accounts	$190,000,000
Minimum separate account	$1,500,000
Tax-exempt clients	75
Types of accounts managed	CEF
No. of portfolio managers	4

Heartland Capital Management Inc. is an active equity and fixed-income and balanced manager.

Its equity approach uses market timing and asset allocation consistent with the primary market trend. Stock selection emphasizes consistent growth and accelerating earnings per share.

Its fixed-income approach uses interest rate anticipation.

The asset mix Jan. 1 was 66% stocks, 22% bonds and 12% cash.

Clients include Hanover College, Walther Cancer Institute, Ball and Indiana Gas.

Barry F. Ebert is chief investment officer; Hilary S. Salatich, marketing director, is client contact.

Heilweil Hollander Jacobs

400 Perimeter Center Terrace, Suite
190, Atlanta, Ga. 30346; (404)
393-8725

Total assets managed	$101,000,000
Tax-exempt assets managed	
Total	$39,000,000
Separate accounts	$39,000,000
Minimum separate account	$500,000
Tax-exempt clients	68
Types of accounts managed	CF
No. of portfolio managers	3

Heilweil Hollander Jacobs is an active equity and balanced manager.

In equities, the firm takes a defensive value approach, concentrating on capital preservation and appreciation. Investments are made when prospects for further price deterioration seem minimal with strong potential for significant appreciation. Options are used.

The asset mix Jan. 1 was 40% stocks, 28% bonds and 32% cash.

Clients include International Association of Financial Planners, Connecticut Jr. Republic, Livingston Foundation and Carriage Industries.

Marc S. Heilweil is chief investment officer; Brenda Dorrien is client contact.

Heitman Advisory Corp.

180 N. LaSalle St. Suite 3600,
Chicago, Ill. 60601; (312) 855-5700

Total assets managed	$5,300,000,000
Tax-exempt assets managed	
Total	$4,500,000,000
Pooled accounts	$985,000,000
Separate accounts	$3,515,000,000
Equity real estate assets	$4,500,000,000
Minimum separate account	$25,000,000
Tax-exempt clients	
Pooled	49
Separate	18
Types of accounts managed	CEFGJ
No. of portfolio managers	13
Size of research staff	6

Heitman Advisory Corp., an equity real estate manager, stresses selection and acquisition of existing, investment-quality, well-rented properties, including office buildings, shopping centers and industrial parks. This provides the potential for increased cash return on investments with limited risk. Property management and leasing are handled through an affiliate, Heitman Properties.

All tax-exempt assets were in equity real estate Jan. 1.

The parent company is Heitman Financial Ltd.

Clients include AT&T, Iowa Employees, NYNEX and Orange County Employees.

Norman Perlmutter, chief executive officer, is chief investment officer; David Glickman, president, is client contact.

Profiles of the leading master trust/master custody banks will be in the Sept. 4 issue.

Hellman, Jordan Management Co. Inc.

50 Milk St., Boston, Mass. 02109;
(617) 482-1777

Total assets managed	$1,216,000,000
Tax-exempt assets managed	
Total	$1,060,000,000
Separate accounts	$1,060,000,000
Minimum separate account	$10,000,000
Tax-exempt clients	25
Types of accounts managed	CEFGJ
No. of portfolio managers	3
Size of research staff	2

Hellman, Jordan Management Co. Inc. is an active equity, balanced and tactical asset allocation manager.

The firm seeks sectors exhibiting the highest rates of estimated earnings growth throughout a stock market and economic cycle with strong emphasis on market timing. Stock index futures are used for hedging purposes. Options also are used.

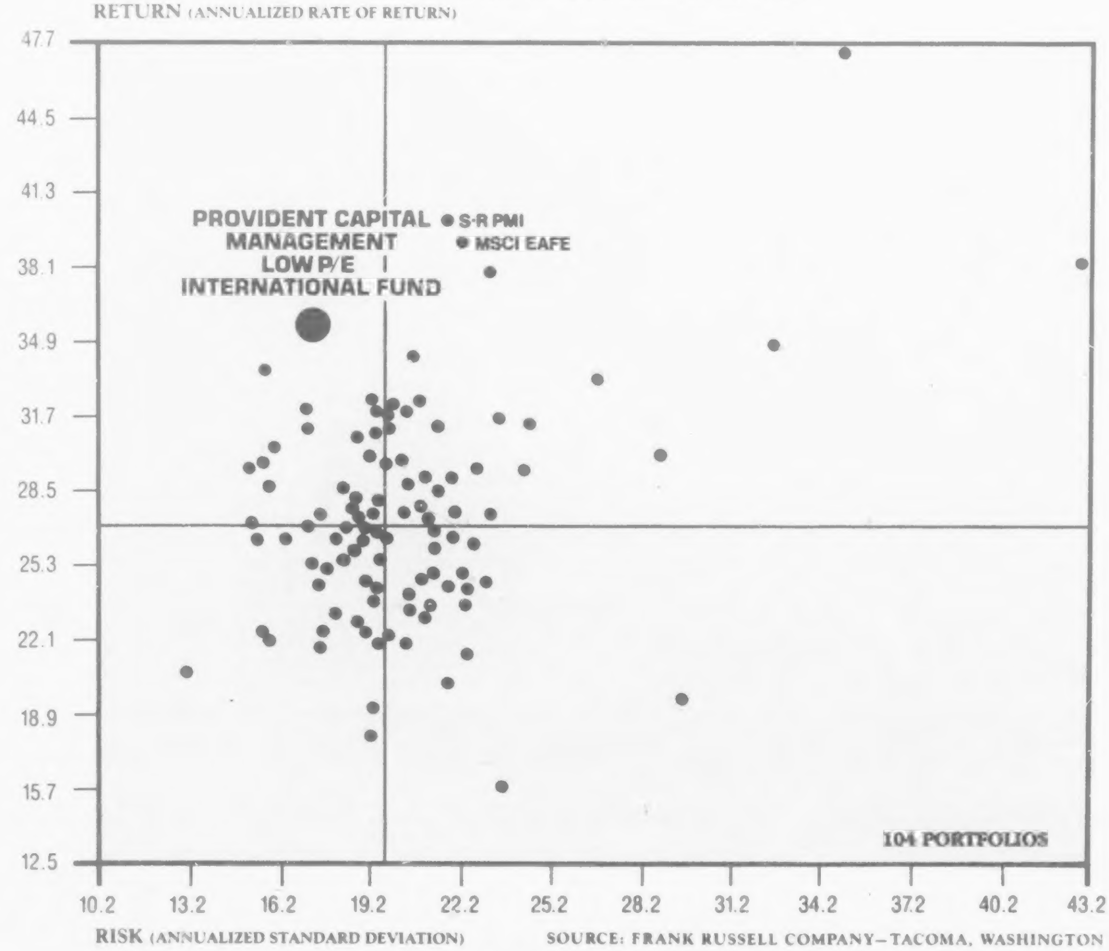
The asset mix Jan. 1 was 95% stocks and 5% cash.

The parent company is United Asset

Low P/E works overseas, too.

RISK-RETURN COMPARISONS FOR NON-U.S. EQUITY PORTFOLIOS

3 YEARS ENDING DECEMBER 31, 1988



SOURCE: FRANK RUSSELL COMPANY—TACOMA, WASHINGTON

Provident Capital Management, Inc.

The Proof is in the Performance.

1700 Market Street—Suite 2720, Philadelphia, PA 19103-3899

CONTACT: John Campbell, Director of Marketing, (215) 561-6000.

Management.

Clients include Xerox, Kimberly-Clark, Batus and Sun.

Gerald R. Jordan Jr., president, is chief investment officer; Lisa M. Castellano is client contact.

Henderson Administration Group

3 Finsbury Ave., London EC2M 2PA,
U.K.; 01-638-5757

Total assets managed	$14,365,000,000
Tax-exempt assets managed:	
Total	$0
Minimum separate account	$10,000,000
No. of portfolio managers	52

Henderson Administration Group, an international equity manager, uses a top-down approach to active country weighting. Stock selection focuses on earnings momentum leading to either higher growth stocks or cyclical issues when appropriate.

Options and stock index futures are used.

Ben Wrey is chief investment officer; Geoff Owen, senior vice president, and Andrew Jardine, vice president, are client contacts.

Thomas J. Herzfeld Advisors

The Herzfeld Bldg., P.O. Box 161465,
Miami, Fla. 33116; (305) 271-1900

Total assets managed	$140,000,000
Tax-exempt assets managed:	
Total	$75,000,000
Separate accounts	$75,000,000
Minimum separate account	$5,000,000
Tax-exempt clients	20
Types of accounts managed	CF
No. of portfolio managers	2
Size of research staff	6

Thomas J. Herzfeld Advisors Inc. invests in closed-end funds on a worldwide, flexible basis, shifting between closed-end, equity, convertible and bond funds. The firm seeks to buy closed-end funds with net asset values that are likely to show relative strength and with discounts to net asset value that will narrow over time.

The asset mix Jan. 1 was 1% equity, 84% closed-end and 15% money market.

Thomas H. Herzfeld is chief investment officer and client contact.

Hibernia National Bank

P.O. Box 61540, New Orleans, La.
70161; (504) 586-5542

Total assets managed	$2,542,000,000
Tax-exempt assets managed:	
Total	$1,905,000,000
Commingled accounts	$216,000,000
Separate accounts	$1,689,000,000
401(k)/457 assets managed	$230,000,000
No. of 401(k)/457 plans	37
Mortgage-backed assets	$95,000,000
Minimum separate account	$2,000,000
Tax-exempt clients:	
Commingled	405
Separate	45
Types of accounts managed	CEFJG
No. of portfolio managers	8
Size of research staff	3

Hibernia National Bank is an active equity, active fixed-income and balanced manager.

Its equity approach uses sector rotation and market timing. Primary emphasis is on equity exposure and industry weighting as determined by the economic forecast.

Options are used.

The firm's primary fixed-income approach is based on inflation and interest rate forecasts. Credit analysis is used to minimize risk of quality deterioration and swaps are undertaken to improve yield without sacrificing quality and tradeability.

The asset mix Jan. 1 was 13% stocks, 54% bonds, 28% cash and 5% mortgage-backed securities.

The bank follows 120 stocks closely and 250, generally; 25% of research is generated internally.

The parent company is Hibernia Corp.

Clients include Alton Ochsner Medical Foundation, Louisiana Teachers, City of New Orleans and Army & Air Force Exchange.

Robert L. Rust, vice president and trust financial officer, is chief investment officer; William J. Kearney III, vice president and trust officer, is client contact.

Hill Samuel Investment Advisers Ltd.

45 Beech St., London EC2P 2LX,
U.K.; 011 441-628-8011

Total assets managed	$360,000,000
Tax-exempt assets managed:	
Total	$360,000,000
Pooled accounts	$21,000,000
Separate accounts	$339,000,000
International equity assets	$310,000,000
International fixed-income assets	$45,000,000
International cash assets	$5,000,000
Minimum separate account	$10,000,000
Tax-exempt clients:	
Pooled	2
Separate	9
Types of accounts managed	CEFG
No. of portfolio managers	25
Size of research staff	18

Hill Samuel Investment Advisers Ltd. is an active international/global equity and fixed-income manager.

The firm has a quantified approach to value investing. A consistent methodology is used in analyzing all world markets, securities and currencies.

The asset mix Jan. 1 was 96% international equities and 4% international bonds.

The parent company is Hill Samuel Group — TSB Group PLC.

Clients include GM, Stanford University and Northwest Airlines.

David G. Tilles is the chief investment officer; Anne F. Holloran is the client contact at (612) 371-7638.

Hillside Associates Inc.

801 S. Flower St., Los Angeles, Calif.
90017; (213) 488-9797

Total assets managed	$172,000,000
Tax-exempt assets managed:	
Total	$116,000,000
Pooled accounts	$19,000,000
Separate accounts	$97,000,000
Tax-exempt clients:	
Pooled	15
Separate	116
Types of accounts managed	CEFG
No. of portfolio managers	4

Hillside Associates Inc. is an active equity and balanced manager.

Its primary equity approach is value-oriented. The firm searches for companies selling significantly below their business worth and overlooked companies. Growth stocks and Graham & Dodd analysis are used.

In fixed income, short-term government securities provide a base, and the firm moves to longer government securities when spreads between bond yields and equity cash flow yields reach historic levels.

The asset mix Jan. 1 was 35% equities, 20% bonds and 45% cash.

Samuel D. Hale is chief investment officer; William J. Bedford is client contact.

Hodges Capital Management

755 West End Ave., New York, N.Y.
10025; (212) 866-5334

Total assets managed	$28,000,000
Tax-exempt assets managed:	
Total	$24,000,000
Separate accounts	$24,000,000
Minimum separate account	$2,000,000
Tax-exempt clients	2
Types of accounts managed	CE
No. of portfolio managers	1
Size of research staff	1

Hodges Capital Management is an active equity and balanced manager.

Its equity approach is low p/e, seeking promising low-multiple stocks off the beaten paths.

Its fixed-income approach is passive, purchasing a sequence of short-term maturities. The ladder has ascending maturities out to three years.

The asset mix Jan. 1 was 60% stocks, 20% bonds and 20% cash.

Fletcher Hodges III, president, is chief investment officer and client contact.

Hodgson Roberton Laing

390 Bay St. Suite 1608, Toronto,
Ontario M5H 2Y2; (416) 869-3320

Total assets managed	$1,030,000,000
Tax-exempt assets managed:	
Total	$328,000,000
Pooled accounts	$86,000,000
Separate accounts	$242,000,000
For subsidiaries of U.S. firms	$75,000,000
Minimum separate account	$5,000,000
Tax-exempt clients:	
Pooled	6
Separate	23
U.S. subsidiaries	1
Types of accounts managed	CEF
No. of portfolio managers	5
Size of research staff	2

Hodgson Roberton Laing Ltd., a Canadian firm, is an active equity, active and passive fixed-income, balanced, tactical asset allocation and short-term manager.

In equities, the firm is a value investor, employing a contrarian, opportunistic approach. Sector rotation is used, managing concentrated portfolios. Low p/e stocks and Graham & Dodd analysis are used.

In fixed-income, primary emphasis is on interest rate anticipation. The credit composition is structured to take advantage of pricing anomalies. Sector analysis is also used.

The asset mix Jan. 1 was 30% Canadian stocks, 8% U.S. stocks, 48% bonds and 14% cash.

J. Warren Laing, president, is chief investment officer, Wayne D. Beazer, vice president, is client contact.

Hoisington Investment Management Co.

950 Echo Lane, Suite 210, Houston,
Texas 77024; (713) 467-7900

Total assets managed	$825,000,000
Tax-exempt assets managed:	
Total	$825,000,000
Separate accounts	$825,000,000
Minimum separate account	$10,000,000
Tax-exempt clients	23
Types of accounts managed	CFG
No. of portfolio managers	2

Hoisington Investment Management Co. is an active fixed-income manager.

The firm uses a risk-averse, market-timing approach. Very short maturities are used during periods of high risk, while 30-year maturities capitalize on low-risk periods.

All assets were invested in cash equivalents as of Jan. 1.

Clients include TRW, 3M, Sara Lee and Unocal.

Van R. Hoisington, president, is chief investment officer; Janice Teague Green, senior vice president, is client contact.

Home Capital Services Inc.

59 Maiden Lane, 21st Floor, New
York, NY 10038; (212) 530-6016

Total assets managed	$4,811,000,000
Tax-exempt assets managed:	
Total	$49,000,000
Separate accounts	$49,000,000
Minimum separate account	$10,000,000
Tax-exempt clients	4
Types of accounts managed	CF
No. of portfolio managers	6
Size of research staff	2

Home Capital Services Inc. is an active equity and fixed-income, balanced and short-term manager.

Its primary equity approach is quantitative, selecting undervalued securities with evidence of positive earnings surprise. Its fixed-income approach combines high-yield portfolios with investment-grade corporate bonds and government obligations.

The asset mix Jan. 1 was 50% equities and 50% bonds.

The parent is Home Group Inc.

Clients include General Development Corp., Carteret Savings & Loan Pension and Home Group Foundation.

Hiram F. Moody Jr. is chief investment officer; Erich G. Weissenberger Jr. is client contact.

Home Life Insurance Co.

75 Wall St., New York, N.Y. 10005;
(212) 428-2000

Total assets managed	$4,003,000,000
Total discretionary assets	$4,003,000,000
Tax-exempt assets managed:	
Total	$1,836,000,000
Pooled accounts	$24,000,000
GICs	$1,209,000,000
Annuities	$31,000,000
Other	$572,000,000
Tax-exempt clients:	
Pooled	50
Types of accounts managed	CEFJG
No. of portfolio managers	5
Size of research staff	25

Home Life Insurance Co. is an active equity, active fixed-income, balanced and short-term manager.

Its fixed-income approach uses a seven-year laddered portfolio with emphasis on preservation of principal.

Its real estate approach targets investment in completed, fully leased, unleveraged industrial properties in selected locations in the $6 million to $15 million range.

In addition to the assets above, $32 million in pooled separate equity accounts are managed by First Manhattan Capital Management Corp.

The separate account mix Jan. 1 was 4% stocks and 96% bonds.

The insurer follows 200 stocks closely and 500, generally; 85% of research is generated internally.

The parent is Home Life Financial Resources.

John A. Fabian, senior vice president, is chief investment officer; John Hannan, vice president-marketing, is client contact at (201) 980-4402.

Horgan Tattersall Investment Counsel Ltd.

Suite 1904, P.O. Box 95, 20 Queen St.
W., Toronto, Ontario M5H 3R3;
(416) 979-1818

Total assets managed	$55,000,000
Tax-exempt assets managed:	
Total	$30,000,000
Separate accounts	$30,000,000
For subsidiaries of U.S. firms	$0
Minimum separate account	$1,000,000
Tax-exempt clients	3
Types of accounts managed	C
No. of portfolio managers	2

Horgan Tattersall Investment Counsel Ltd., a Canadian firm, is a small-cap Canadian and active international/global equity manager.

Its approach is value-oriented; Canadian tax-exempt portfolios concentrate on the small-cap sector.

All assets were in Canadian stocks Jan. 1.

Patrick S. Horgan is chief investment officer; Robert Tattersall, executive vice president, is client contact.

Horsley Keogh & Associates

11 Tobey Office Park, Pittsford, N.Y.
14534; (716) 385-9830

Total assets managed	$550,000,000
Tax-exempt assets managed:	
Total	$550,000,000
Pooled accounts	$500,000,000
Separate accounts	$50,000,000
Tax-exempt clients:	
Pooled	15
Separate	1
Types of accounts managed	CE
No. of portfolio managers	5
Size of research staff	5

Horsley Keogh & Associates Inc. is a venture capital manager. The firm selects venture capital partnerships that have prospects for exceptional investment returns, and manages the sale of publicly traded securities distributed by these partnerships.

All assets Jan. 1 were in venture capital.

Phillip Horsley, managing director, is chief investment officer; G.C. Belden Jr., managing director, is client contact.

Hotchkis and Wiley

800 W. Sixth, Suite 540, Los Angeles,
Calif. 90017; (213) 623-4073

Total assets managed	$3,108,000,000
Tax-exempt assets managed:	
Total	$3,036,000,000
Pooled accounts	$47,000,000
Separate accounts	$2,989,000,000
Minimum separate account	$25,000,000
Tax-exempt clients:	
Pooled	1
Separate	28
Types of accounts managed	CEFG
No. of portfolio managers	4
Size of research staff	2

Hotchkis and Wiley is an active equity and fixed-income and balanced manager.

Its equity approach uses Graham & Dodd analysis and emphasizes preservation of capital and the power of dividend return compounded.

The asset mix Jan. 1 was 83.7% equities, 12.3% bonds and 4% cash.

Clients include Rockwell International, GTE, Pacific Telesis and Oregon State.

John Hotchkis and George Wiley, general partners, are chief investment officers; George J. Rebhan, director of marketing, is client contact.

HT Investors Inc.

321 S. Main St., Providence, R.I.
02909; (401) 276-6100

Total assets managed	$620,000,000
Tax-exempt assets managed:	
Total	$620,000,000
Pooled accounts	$80,000,000
Separate accounts	$540,000,000
Equity real estate assets	$5,000,000
Minimum separate account	$1,000,000
Tax-exempt clients:	
Pooled	77
Separate	153
Types of accounts managed	CEFGJ
No. of portfolio managers	4

HT Investors Inc. is an active equity, active and passive fixed-income and balanced manager.

In equities, the firm uses a proprietary valuation model to screen for low growth, p/e and poor past relative stock performance.

Its fixed-income approach emphasizes interest rate anticipation, attempting to add value via swaps and purchases of undervalued issues.

The asset mix Jan. 1 was 48% stocks, 38% bonds, 12% cash and 2% equity real estate.

The parent is RIHT Financial Corp., a subsidiary of Bank of Boston.

Clients include City of Providence, State of Rhode Island and Foxboro Corp.

William M. Sloan Jr. is chief investment officer; Edward F. O'Donnell is client contact.

Hudson Investment Management Co.

11 Bailey Ave., Suite 1, Ridgefield,
Conn. 06877; (203) 438-8332

Total assets managed	$11,000,000
Tax-exempt assets managed:	
Total	$8,000,000
Separate accounts	$8,000,000
Minimum separate account	$2,000,000
Tax-exempt clients	1
Types of accounts managed	C
No. of portfolio managers	1
Size of research staff	1

Hudson Investment Management Co. is an active fixed-income manager that selects undervalued securities and sectors to produce performance that exceeds, but is less volatile than, client-selected benchmarks.

The asset mix Jan. 1 was 97% bonds and 3% cash.

Howard G. Hudson is the chief investment officer and client contact.

I

IAA Trust Co.

1701 Towanda Ave., Bloomington, Ill.
61701; (309) 557-3241

Total assets managed	$2,987,000,000
Tax-exempt assets managed:	
Total	$898,000,000
Commingled accounts	$92,000,000
Separate accounts	$806,000,000
401(k)/457 assets managed	$89,000,000
No. of 401(k)/457 plans	18
Mortgage-backed assets	$18,000,000
International bond assets	$2,000,000
International cash assets	$1,000,000
Dedicated/immunized assets	$6,000,000
Minimum separate account	$200,000
Tax-exempt clients:	
Commingled	1,797
Separate	262
Types of accounts managed	CEFJ

IAA Trust Co. is an active equity, active and passive fixed-income, balanced, real estate, international and short-term manager.

Its value-oriented growth equity portfolio emphasizes smaller-cap stocks selling at a reasonable p/e ratio and and sector rotation. Its primary fixed-income approach is to anticipate changes in the yield curve, with incremental return enhanced through interest rate anticipation.

The asset mix Jan. 1 was 33% stocks, 40% bonds, 26.5% cash and 0.5% international.

The parent company is Illinois Agricultural Association.

Gary Mede, executive vice president, is chief investment officer; Leonard Davenport, marketing representative, is client contact.

IBJ Schroder Bank & Trust

1 State St., New York, N.Y. 10004;
(212) 858-2395

Total assets managed	$803,000,000
Tax-exempt assets managed	
Total	$125,000,000
Commingled accounts	$15,000,000
Separate accounts	$110,000,000
401(k)/457 assets managed	$4,000,000
No. of 401(k)/457 plans	4
Mortgage-backed assets	$2,000,000
International bond assets	$4,000,000
Minimum separate account	$1,000,000
Tax-exempt clients	
Commingled	10
Separate	29
Types of accounts managed	CEFJ
No. of portfolio managers	6
Size of research staff	5

IBJ Schroder Bank & Trust Co. is an active equity and fixed-income, balanced and international manager.

Its equity approach emphasizes sector rotation, market timing/tactical asset allocation and Graham & Dodd principles. Its fixed-income approach is based on interest rate anticipation and sector analysis. Options are used.

The asset mix Jan. 1 was 40% stocks, 36% bonds, 22% cash and 2% other.

The parent is Industrial Bank of Japan.

Charles Porten is chief investment officer and client contact.

IDS Equity Advisors/IDS Fixed-Income Advisors

IDS Tower 10, Minneapolis, Minn.
55440; (612) 372-3335

Total assets managed	$4,832,000,000
Tax-exempt assets managed	
Total	$3,658,000,000
Separate accounts	$3,658,000,000
Mortgage-backed assets	$46,000,000
Dedicated/immunized assets	$24,000,000
Minimum separate account	$10,000,000
Tax-exempt clients	48
Types of accounts managed	CEFGJ
No. of portfolio managers	7
Size of research staff	33

IDS Equity Advisors/IDS Fixed-Income Advisors are active equity, active fixed-income and balanced managers.

The firms use a top-down, sector rotational approach to manage portfolios of large-cap, blue-chip stocks and domestic bonds. In fixed income, they use interest rate anticipation and sector analysis.

The asset mix Jan. 1 was 71.9% equity, 19% bonds, 8% cash and 1.1% mortgage-backed securities.

The parent is IDS Financial Corp., a unit of American Express.

Clients include Screen Actors Guild-Producers, Virginia Supplemental, California Institute of Technology and Pac-Tel.

Peter J. Anderson, president of IDS Advisory Group Inc., is chief investment officer. The client contacts are Robert W. Edgar Jr., vice president (Midwest); Gabrielle F. Shear, vice president (East); and Diane K. Vener, vice president (West).

IDS Financial Services (Equity Management Service)

IDS Tower 10, Minneapolis, Minn.
55440; (612) 372-3131

Total assets managed	$53,000,000
Tax-exempt assets managed:	
Total	$3,000,000
Separate accounts	$3,000,000
Minimum separate account	$75,000
Tax-exempt clients	30
Types of accounts managed	CEF
No. of portfolio managers	1
Size of research staff	33

IDS Financial Services, an active equity manager, emphasizes stock selection.

The asset mix Jan. 1 was 90% stocks and 10% cash.

The parent is IDS Financial Corp., a unit of American Express.

William Dudley is chief investment officer; Doug Brewers is client contact.

IDS Growth Spectrum Advisors

IDS Tower 10, Minneapolis, Minn.
55440; (612) 372-3335

Total assets managed	$279,000,000
Tax-exempt assets managed:	
Total	$122,000,000
Separate accounts	$122,000,000
Minimum separate account	$10,000,000
Tax-exempt clients	3
Types of accounts managed	CEFGJ
No. of portfolio managers	2
Size of research staff	33

IDS Growth Spectrum Advisors is an active equity manager emphasizing core growth and emerging growth stocks. The firm uses a top-down and bottom-up approach.

The asset mix Jan. 1 was 92% equities and 8% cash.

The parent is IDS Financial Corp., a unit of American Express.

Gordon M. Fines, president, is chief investment officer. The client contacts are Robert W. Edgar Jr., vice president (Midwest); Gabrielle F. Shear, vice president (East); and Diane K. Vener, vice president (West).

IDS International Inc.

IDS Tower 10, Minneapolis, Minn.
55440; (612) 372-3335

Total assets managed	$1,117,000,000
Tax-exempt assets managed	
Total	$516,000,000
Separate accounts	$516,000,000
International equity assets	$476,000,000
International cash assets	$40,000,000
Minimum separate account	$15,000,000
Tax-exempt clients	11
Types of accounts managed	CEFGJ
No. of portfolio managers	5
Size of research staff	35

IDS International Inc. is an international equity manager.

The firm takes a top-down, bottom-up approach. Using a macroeconomic, geopolitical overview, assets are allocated among stocks, bonds, and cash; currency views are taken; and countries are distributed into economic categories and weighted.

For actively managed portfolios, the firm selects stocks through fundamental analysis. For passive portfolios, stocks are selected through optimization designed to simulate a specified benchmark.

The asset mix Jan. 1 was 92% equities and 8% cash.

The parent is IDS Financial Corp., a unit of American Express.

Peter Lamaison, president, is chief investment officer. Client contacts are Robert W. Edgar Jr., vice president (Midwest); Gabrielle F. Shear, vice president (East); and Diane K. Vener, vice president (West).

IDS Trust

2880 Multifoods Tower, Minneapolis,
Minn. 55402; (612) 372-3742

Total assets managed	$1,120,000,000
Tax-exempt assets managed	
Total	$1,120,000,000
Pooled accounts	$1,017,000,000
Separate accounts	$103,000,000
401(k)/457 assets managed	$670,000,000
No. of 401(k)/457 plans	154
International equity assets	$61,000,000
International cash assets	$6,000,000
Minimum separate account	$10,000,000
Tax-exempt clients	
Pooled	205
Separate	12
Types of accounts	C
No. of portfolio managers	14
Size of research staff	33

IDS Trust is an active equity and fixed-income, balanced, active international/global, short-term and GIC manager.

GIC management is handled in-house by IDS Trust; all other categories are managed by other divisions on IDS Trust's behalf.

The asset mix Jan. 1 was 15.2% equity, 4.7% bonds, 21.1% cash and 59% GICs and international.

The parent is IDS Financial Corp., a unit of American Express.

Peter J. Anderson, president-IDS Advisory Group, is the chief investment officer; Ward Armstrong, vice president and general sales manager, is the client contact.

IFP Inc.

2001 Bryan Tower, Suite 1540, Dallas,
Texas 75201; (214) 754-0333

Total assets managed	$22,000,000
Tax-exempt assets managed:	
Total	$20,000,000
Separate accounts	$20,000,000
Equity real estate assets	$2,000,000
International bond assets	$5,000,000
Minimum separate account	$250,000
Tax-exempt clients	25
Types of accounts managed	C
No. of portfolio managers	3
Size of research staff	1

IFP Inc. is an equity, passive fixed-income, balanced, real estate and international fixed-income manager.

Its equity approach focuses on quantitative values. Options are used.

In real estate, undervalued properties with superior upside potential and current cash flow are sought.

The asset mix Jan. 1 was 60% equities, 30% bonds and 10% equity real estate.

T. Tim Cullum and Richard L. Sandow are the chief investment officers; Steven L. Burks, executive vice president, is the client contact.

Illinois Co. Investments Inc.

30 N. LaSalle St. Chicago, Ill. 60602;
(312) 444-2100

Total assets managed	$125,000,000
Tax-exempt assets managed	
Total	$100,000,000
Separate accounts	$100,000,000
Minimum separate account	$1,000,000
Tax-exempt clients	10
Types of accounts managed	CFJ
No. of portfolio managers	4
Size of research staff	3

Illinois Co. Investments Inc., formerly The Illinois Co., is an active equity and fixed-income, balanced and short-term manager.

Its equity approach focuses on emerging growth stock using quantitative, Graham & Dodd analysis.

Its fixed-income approach is passive, using interest rate anticipation.

The parent company is Land of Lincoln Savings & Loan.

Paul H. Fricke, senior vice president, is chief investment officer and client contact.

Illinois National Bank Trust Investments

P.O. Box 6429, Springfield, Ill. 62708;
(217) 753-7205

Total assets managed	$160,000,000
Tax-exempt assets managed	
Total	$100,000,000
Commingled accounts	$20,000,000
Separate accounts	$80,000,000
Mortgage-backed assets	$15,000,000
Tax-exempt clients	
Commingled	300
Separate	25
Types of accounts managed	CEFGJ
No. of portfolio managers	1
Size of research staff	2

Illinois National Bank Trust Investments is an active and passive equity, passive fixed-income, balanced and short-term manager.

Its primary equity approach seeks value through low p/e stocks.

The asset mix Jan. 1 was 20% stocks, 60% bonds, 5% cash and 15% mortgage-backed securities.

The parent is Midwest Financial Group.

Keith Bell, trust investment officer, is chief investment officer and client contact.

Independence Investment Associates

1 Liberty Square, Boston, Mass.
02109; (617) 292-8700

Total assets managed	$3,746,000,000
Tax-exempt assets managed	
Total	$2,937,000,000
Pooled accounts	[illegible].098,000,000
Separate accounts	[illegible].839,000,000
Minimum separate account	$10,000,000
Tax-exempt clients	
Pooled	8
Separate	43
Types of accounts managed	CEFJG
No. of portfolio managers	9
Size of research staff	9

Independence Investment Associates Inc. is an active equity, active fixed-income and balanced manager.

Its equity approach identifies and exploits mispricing opportunities through focused fundamental research, quantitative valuation analysis and systematic portfolio implementation.

Its fixed-income approach follows an active duration management strategy, based on yield curve and interest rate analysis.

The asset mix Jan. 1 was 69% stocks, 22% bonds and 9% cash.

The firm follows 400 stocks closely and 3,000, generally; 80% of the research is generated internally.

The parent company is John Hancock Financial Services.

William C. Fletcher, executive vice president, is the chief investment officer; Vincent B. Burns, senior vice president, is the client contact.

India Wharf Associates Inc.

7 Liberty Square, Boston, Mass.
02109; (617) 720-4220

Total assets managed	$47,000,000
Tax-exempt assets managed	
Total	$7,000,000
Separate accounts	$7,000,000
401(k)/457 assets managed	$1,000,000
No. of 401(k)/457 plans	1

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200 Connecticut Avenue, Norwalk, CT 06854

Minimum separate account	$500,000
Tax-exempt clients	10
Types of accounts managed	C
No. of portfolio managers	2
Size of research staff	2

India Wharf Associates Inc. is an active equity, balanced and tactical asset allocation manager.

Its approach is aggressive but risk averse, using fundamental and technical indicator analysis to measure market risk, determine asset allocation and select securities.

India Wharf Associates also acts as adviser to an additional $400 million.

The asset mix Jan. 1 was 85% equities and 15% cash.

J. Stewart Har.ey Jr., chief executive officer, is chief investment officer; William S. Stout, marketing manager, is client contact.

Indiana Investment Advisors

1 Indiana Square, Indianapolis, Ind.
46266; (317) 266-6198

Total assets managed	$5,007,000,000
Tax-exempt assets managed	
Total	$3,500,000,000
Pooled accounts	$152,000,000
Separate accounts	$3,348,000,000
401(k)/457 assets managed	$128,000,000
No. of 401(k)/457 plans	72
Mortgage-backed assets	$150,000,000
Dedicated/immunized assets	$50,000,000
Minimum separate account	$1,000,000
Tax-exempt clients	
Pooled	399
Separate	308
Types of accounts managed	CEF
No. of portfolio managers	8
Size of research staff	2

Indiana Investment Advisors is an active equity, active fixed-income, balanced and short-term manager.

Its equity approach emphasizes earnings growth and consistency. Screening factors include valuation, financial strength and market capitalization. Its fixed-income approach concentrates on risk-reward, maturity and sector judgments.

The asset mix Jan. 1 was 9% equities, 83% bonds, 6% cash and 2% GICs.

The firm follows 30 stocks closely and 300, generally; all research is generated internally.

The parent company is Indiana National Bank.

Clients include Indiana Employees, Indiana Teachers, United Brotherhood of Carpenters and Indianapolis Power.

P. Roger Kumler is chief investment officer; Charles E. Pike, vice president and trust officer, is client contact.

Wm. A. Inskeep & Co.

12697 New Brittany Blvd., Fort Myers,
Fla. 33907; (813) 939-5161

Total assets managed	$18,000,000
Tax-exempt assets managed	
Total	$9,000,000
Separate accounts	$9,000,000
Minimum separate account	$300,000
Tax-exempt clients	16
Types of accounts managed	CE
No. of portfolio managers	1

Wm. A. Inskeep & Co. is an active equity, passive fixed-income balanced and short-term manager.

Its equity approach includes growth stock and Graham & Dodd analysis. Its fundamental approach seeks issues with strong long-term potential. Market timing is used.

Its fixed-income approach is risk-averse, using only high-quality, short-to intermediate-term issues.

The asset mix Jan. 1 was 60% equities, 30% bonds and 10% cash.

The firm follows 80 stocks closely and 250, generally; 25% of the research is generated internally.

William A. Inskeep, president, is chief investment officer and client contact.

Institutional Capital Corp.

303 W. Madison St., Suite 1800,
Chicago, Ill. 60606; (312) 641-7200

Total assets managed	$994,000,000
Tax-exempt assets managed	
Total	$994,000,000
Separate accounts	$994,000,000
401(k)/457 assets managed	$28,000,000
No. of 401(k)/457 plans	1
Minimum separate account	$25,000,000
Tax-exempt clients	15
Types of accounts managed	CEF
No. of portfolio managers	5
Size of research staff	6

Institutional Capital Corp., an active equity and balanced manager emphasizes sector rotation and market timing. Interest rate anticipation is used for fixed-income. Options are used.

The asset mix Jan. 1 was 63% equities, 17% bonds and 20% cash.

The firm follows 150 stocks closely and 450, generally; 33% of the research is generated internally.

U.S. tax-exempt clients include Jewel Cos., Quaker Oats, Litton Industries and S.C. Johnson & Sons.

William Maloney, president, is chief investment officer; Timothy Solberg, vice president, is client contact.

Integrated Resources Asset Management Corp.

10 Union Square East, Third Floor,
New York, N.Y. 10003; (800)
232-1230 or (212) 353-7747

Total assets managed	$4,500,000,000
Tax-exempt assets managed	
Total	$173,000,000
Separate accounts	$173,000,000
Minimum separate account	$1,000,000
Tax-exempt clients	40
Types of accounts managed	CEFJG
No. of portfolio managers	6
Size of research staff	5

Integrated Resources Asset Management Corp. is an active equity and active fixed-income manager.

Its equity approach superimposes timely themes on the securities of well-researched companies. Its fixed-income approach uses relative value.

The asset mix Jan. 1 was 70% stocks, 20% bonds and 10% cash.

The parent company is Integrated Resources Inc.

Harvey P. Eisen, president, is chief investment officer; Maureen R. Ford, first vice president and national marketing manager, is client contact.

Interfid Capital Corp.

1 Dag Hammarskjold Plaza, New
York, N.Y. 10017; (212) 888-6808

Total assets managed	$67,000,000
Tax-exempt assets managed	
Total	$62,000,000
Separate accounts	$62,000,000
Minimum separate account	$500,000
Tax-exempt clients	7
Types of accounts managed	C
No. of portfolio managers	2
Size of research staff	2

Interfid Capital Corp. is an active equity and active and passive fixed-income manager.

Its equity approach is fundamental, identifying investments that offer opportunities for long-term appreciation and improved income stream, acquiring them at a discount. Its fixed-income approach is passive, using interest rate anticipation. Options are used.

The asset mix Jan. 1 was 10% stocks, 82% bonds and 8% cash.

Clients include Schenley Industries, McCrory Stores and RGM.

Amos Kaminski is chief investment officer; H.H. Updike is client contact.

Interinvest Corp.

84 State St., Sixth Floor, Boston,
Mass. 02109; (617) 723-7870

Total assets managed	$85,000,000
Tax-exempt assets managed:	
Total	$45,000,000
Separate accounts	$45,000,000
International equity assets	$25,000,000
International bond assets	$10,000,000
International cash assets	$5,000,000
Minimum separate account	$500,000
Tax-exempt clients	48
Types of accounts managed	CEF
No. of portfolio managers	6
Size of research staff	7

Interinvest Corp. is an active equity, active fixed-income, balanced, tactical asset allocation, active international equity, active international fixed-income and short-term manager.

Managers determine market timing, country allocation and sector allocation using a global top-down approach and Graham & Dodd analysis. Its fixed-income approach is based on global interest rate assessments.

The asset mix Jan. 1 was 65% equities, 25% bonds and 10% cash.

The firm is affiliated with Interinvest Canada, HB Investment and Finanz AG (Zurich).

Hans P. Black is chief investment officer; Stanley T. Schmidt and David C. Ernest are client contacts.

The International Trust Co.

Box 75, Royal Bank Plaza North
Tower, 14th Floor, Toronto, Ontario
M5J 2J2; (416) 865-0515

Total assets managed	$317,000,000
Tax-exempt assets managed	
Total	$117,000,000
Pooled accounts	$117,000,000
For subsidiaries of U.S. firms	$30,000,000
Tax-exempt clients	34
U.S. subsidiaries	10
Types of accounts managed	CEGU
No. of portfolio managers	3

The International Trust Co., a Canadian firm, is an active equity, active fixed-income, balanced and short-term manager.

Its equity approach is value-oriented, using low p/e, sector rotation and market timing. Its fixed-income approach is based on interest rate anticipation, sector analysis and duration management.

The asset mix Jan. 1 was 30% Canadian stocks, 10% U.S. stocks, 40% bonds and 20% cash.

The parent company is Starlaw Holdings.

Mohammed Mamoodallah, vice president, is the chief investment officer; Brian Cope, vice president, is the client contact.

Interstate Asset Management Inc.

2600 NCNB Plaza, Charlotte, N.C.
28280; (704) 379-9097

Total assets managed	$42,000,000
Tax-exempt assets managed	
Total	$21,000,000
Separate accounts	$21,000,000
401(k)/457 assets managed	$11,000,000
No. of 401(k)/457 plans	17
Minimum separate account	$500,000
Tax-exempt clients	28
Types of accounts managed	CEF
No. of portfolio managers	2
Size of research staff	1

Interstate Asset Management Inc. is an active equity, active fixed-income, balanced and short-term manager.

Its bottom-up equity approach emphasizes value and long-term results independent of current behavior. Its fixed-income approach uses interest rate anticipation. Duration is based on expected interest rate movements.

The asset mix Jan. 1 was 25% stocks, 48% bonds and 27% cash.

The parent company is Interstate/Johnson Lane Corp.

James T. Moorhead, president, is fixed-income portfolio manager, and J. Donald Raines is equity portfolio manager; Mr. Moorhead is client contact.

Inverness Counsel Inc.

545 Madison Ave. New York, N.Y.
10022; (212) 980-5230

Total assets managed	$830,000,000
Tax-exempt assets managed	
Total	$295,000,000
Separate accounts	$295,000,000
Minimum separate account	$1,000,000
Tax-exempt clients	27
Types of accounts managed	CEFG
No. of portfolio managers	12
Size of research staff	1

Inverness Counsel Inc. is an equity, fixed-income, balanced and covered option writing manager.

Its equity approach uses a qualitative, top-down economic analysis modified by quantitative price momentum; fundamental cross-plotted computer screens develop the stock universe and industry weightings. In fixed-income, maturities are spaced, focusing on the yield curve inflection point. Options are used.

The asset mix Jan. 1 was 26% equities, 54% bonds and 20% cash.

Clients include Hollywood (Fla.) Police, Edward John Noble Foundation and Miami Beach Police/Fire.

George H. Garfield, president, is chief investment officer; Henry P. Renard, executive vice president, is client contact.

INVESCO Capital Management

1315 Peachtree St., Suite 300,
Atlanta, Ga. 30309; (404) 892-0875

Total assets managed	$9,564,000,000
Tax-exempt assets managed:	
Total	$9,564,000,000
Pooled accounts	$757,000,000
Separate accounts	$8,807,000,000
Mortgage-backed assets	$50,000,000
Dedicated/immunized assets	$70,000,000
Minimum separate account	$10,000,000
Tax-exempt clients	
Pooled	4
Separate	117
Types of accounts managed	CEFGJ
No. of portfolio managers	17

INVESCO Capital Management is an active equity and fixed-income, balanced, tactical asset allocation, international/global equity and fixed-income and short-term manager.

Its equity approach is fundamental and bottom-up, placing primary emphasis on issue selection while de-emphasizing economic analysis and forecasting.

Its fixed-income approach actively ascertains the optimum duration through analysis of real yields, the yield curve and translating that duration into its corresponding maturity in a given interest rate environment.

Stock index futures are used at the direction of two clients.

The asset mix Jan. 1 was 63% equities, 25% bonds and 12% cash.

The parent company is Brittania Arrow Holdings.

Clients include GM, Boeing, NCR and Texaco.

Wendell M. Starke, president, is chief investment officer; Willis M. Everett III, director of marketing, is client contact.

INVESCO MIM International

Manhattan Tower — 101 E. 52nd St.,
New York, N.Y. 10022; (212)
888-5820

Total assets managed	$347,000,000
Tax-exempt assets managed:	
Total	$219,000,000
Pooled accounts	$12,000,000
Separate accounts	$207,000,000
International equity assets	$75,000,000
International bond assets	$22,000,000
Minimum separate account	$10,000,000
Tax-exempt clients:	
Pooled	16
Separate	4
Types of accounts managed	CEFGJ
No. of portfolio managers	77

INVESCO MIM International is a domestic and global active equity and fixed-income and balanced manager.

Its equity approach is uses sector rotation and low p/e stocks. In fixed-income, it focuses on high-quality duration. Both approaches include the belief that common factors determine the level of markets worldwide, but security valuation systems differ.

The asset mix Jan. 1 was 7.6% U.S. equities, 38.9% U.S. bonds, 8.8% U.S. cash, 34.4% international equities and 10.3% international bonds.

The parent company is Britannia Arrow Holdings.

Clients include University of Rochester, New Hampshire Retirement, Farmland Industries and National Gypsum.

Donald Walker is the chief investment officer; Frank J. Keeler, president, is the client contact.

Investment Advisers Inc.

1100 Dain Tower, P.O. Box 357,
Minneapolis, Minn. 55402; (612)
371-2939

Total assets managed	$6,300,000,000
Tax-exempt assets managed:	
Total	$5,750,000,000
Separate accounts	$5,750,000,000
Mortgage-backed assets	$300,000,000
International equity assets	$400,000,000
International fixed-income assets	$50,000,000
Minimum separate account	$10,000,000
Tax-exempt clients	150
Types of accounts managed	CEFGJ
No. of portfolio managers	8
Size of research staff	4

Investment Advisers Inc. is an active equity, active and passive fixed-income, balanced, active international equity, active international fixed-income, short-term and venture capital manager.

The firm has three major equity products: theme rotation (core); small

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cap; and growth equity. Its fixed-income approach uses credit cycle analysis, which drives maturity and duration decisions. The firm uses active and moderate duration strategies and has a cash management product.

The asset mix Jan. 1 was 45% equities and 55% bonds.

The firm follows 150 stocks closely and 1,500, generally; 40% of the research is generated internally.

The parent company is TSB Group PLC.

U.S. tax-exempt clients include 3M, Houston Police, New York City Carpenters and University of Minnesota.

Noel P. Rahn is chief investment officer; I.P. "Kip" Knelman is client contact.

Investment Advisors Inc.

1100 Louisiana, Suite 2600, Houston,
Texas 77002; (713) 659-2611

Total assets managed	$724,000,000
Tax-exempt assets managed	
Total	$574,000,000
Separate accounts	$574,000,000
401(k)/457 assets managed	$20,000,000
No. of 401(k)/457 plans	4
Minimum separate account	$1,000,000
Tax-exempt clients	53
Types of accounts managed	CEFGJ
No. of portfolio managers	7
Size of research staff	1

Investment Advisors Inc. is an active equity, active fixed-income and balanced manager.

Its top-down equity approach combines sector rotation with an emphasis on growth stocks. Its fixed-income approach uses interest rate anticipation, sector analysis and duration management based on yield curve and macroeconomic analysis. Portfolios are restricted to investment-grade securities.

The asset mix Jan. 1 was 46% equities, 48% bonds and 6% cash.

Clients include Federal Express, FNMA, Shreveport, La., and San Jose, Calif.

Marvin H. McMurrey is chief investment officer; William L. Price is client contact.

Investment & Capital Management Corp.

2 Continental Towers, Suite 504, 1701
Golf Road, Rolling Meadows, Ill
60008; (312) 439-8500

See entry for THE CHEMICAL INVESTMENT GROUP.

The Investment Counsel Co.

56 E. Pine St., Suite 200, Orlando, Fla.
32801; (407) 841-6241

Total assets managed	$380,000,000
Tax-exempt assets managed	
Total	$380,000,000
Separate accounts	$380,000,000
Minimum separate account	$150,000
Tax-exempt clients	140
Types of accounts managed	CEFGJ
No. of portfolio managers	3
Size of research staff	1

The Investment Counsel Co. is an active equity, active fixed-income, balanced and short-term manager.

Its equity approach is bottom-up and value-oriented. The firm holds only companies it knows well and buys only at the price it wants.

Its fixed-income approach is based on interest rate anticipation, managing bond portfolios to provide stability through moderate maturity shifts and the use of high-quality issues.

The asset mix Jan. 1 was 43% equities, 45% bonds and 12% cash.

U.S. tax-exempt clients include Miami Beach Retirement System, Orlando Police & Fire, Asbestos Workers Local 55 and Lamson & Sessions.

Fred Shockley, senior vice president, is chief investment officer; Grant McMurry, vice president, is client contact.

Investment Counselors Inc.

1010 Market St., St. Louis, Mo. 63101;
(314) 421-3080

Total assets managed	$165,000,000
Tax-exempt assets managed:	
Total	$120,000,000
Separate accounts	$120,000,000
401(k)/457 assets managed	$10,000,000
No. of 401(k)/457 plans	4
Minimum separate account	$2,000,000
Tax-exempt clients	35
Types of accounts managed	CFJG
No. of portfolio managers	3

Investment Counselors Inc. is an active equity, passive fixed-income and balanced manager.

Its equity approach focuses on companies with increasing cash flows selling at a discount. Its fixed-income investments are in high-quality, intermediate securities with relatively current coupon. Average maturity is seven to 10 years.

The asset mix Jan. 1 was 60% stocks, 35% bonds and 5% cash.

Mark J. Deschaine, president, is chief investment officer and client contact.

Investment Counselors of Maryland

803 Cathedral St., Baltimore, Md.
21201; (301) 539-3838

Total assets managed	$2,720,000,000
Tax-exempt assets managed:	
Total	$2,316,000,000
Pooled accounts	$1,000,000
Separate accounts	$2,315,000,000
Mortgage-backed assets	$394,000,000
International equity assets	$45,000,000
International bond assets	$60,000,000
Dedicated/immunized assets	$3,000,000
Minimum separate account	$15,000,000
Tax-exempt clients	
Pooled	1
Separate	119
Types of accounts managed	CEFG
No. of portfolio managers	8
Size of research staff	2

Investment Counselors of Maryland is an active equity, active fixed-income, balanced, active international equity and fixed-income and short-term manager.

Its equity approach emphasizes low p/e stocks and Graham & Dodd analysis. Its fixed-income approach uses interest rate anticipation and sector analysis.

The asset mix Jan. 1 was 40% stocks, 31% bonds, 12% cash and 17% mortgage-backed securities.

The firm follows 150 stocks closely and 6,000, generally; 65% of research is generated internally.

The parent is United Asset Management.

Clients include AT&T, Maryland State, Johns Hopkins Hospital and City of Cincinnati.

Craig Lewis, president, is chief investment officer; Robert B. Russell II, executive vice president, is client contact.

Investment Management Inc.

2700 E. 51st. St., Suite 340, Tulsa,
Okla. 74105; (918) 742-3031

Total assets managed	$23,000,000
Tax-exempt assets managed:	
Total	$5,000,000
Separate accounts	$5,000,000
Minimum separate account	$200,000
Tax-exempt clients	18
Types of accounts managed	C
No. of portfolio managers	2

Investment Management Inc. is a passive equity, passive fixed-income, balanced and no-load mutual funds manager.

Its equity approach is based on sector rotation and market timing; its fixed-income approach, on interest rate anticipation.

The asset mix Jan. 1 was 20% stocks and 80% bonds.

The parent company is Rubottom, Dudash & Associates Inc.

Donald J. Rubottom is the chief investment officer and client contact.

Investment Management Services

777 E. Wisconsin Ave., Suite 3400,
Milwaukee, Wis. 53211; (414)
765-3582

Total assets managed	$409,000,000
Tax-exempt assets managed:	
Total	$224,000,000
Separate accounts	$224,000,000
401(k)/457 assets managed	$26,000,000
No. of 401(k)/457 plans	1
Minimum separate account	$3,000,000
Tax-exempt clients	59
Types of accounts managed	CEF
No. of portfolio managers	6
Size of research staff	2

Investment Management Services is an active equity, active fixed-income, balanced and short-term manager.

Its equity approach focuses on quality growth stocks. Its fixed-income approach is dependent on sector analysis for investment selection. Interest rate anticipation is used.

The asset mix Jan. 1 was 40% equities, 35% bonds and 25% cash.

The parent company is Robert W. Baird & Co. Inc.

Robinson Bosworth III is chief investment officer and client contact.

Investment Research Co.

111 W. Jackson Blvd., Suite 1700,
Chicago, Ill. 60604; (312) 930-3944

Total assets managed	$176,000,000
Tax-exempt assets managed:	
Total	$176,000,000
Separate accounts	$176,000,000
Minimum separate account	$10,000,000
Tax-exempt clients	4
Types of accounts managed	C
No. of portfolio managers	1
Size of research staff	2

Investment Research Co. is an active equity manager.

Its approach is quantitative. With the use of high-order non-linear analysis, the Maximum Growth Strategy is able to detect covariance interactions and subtle patterns undetectable by mean/variance mathematics.

The asset mix Jan. 1 was 97% equities and 3% cash.

Clients include Chrysler, Lockheed and GE.

F J. Gould, president, is chief investment officer and client contact.

Investors Asset Management Inc.

2309-A Coit Rd., Plano, Texas 75075;
(214) 985-7162

Total assets managed	$8,000,000
Tax-exempt assets managed	
Total	$1,000,000
Separate accounts	$1,000,000
Minimum separate account	$50,000
Tax-exempt clients	6
Types of accounts managed	C
No of portfolio managers	1

Investors Asset Management Inc. is an active equity, active fixed-income and balanced manager.

Its equity approach is based on growth and low p/e stocks and sector rotation; its fixed-income approach, on interest rate anticipation and sector analysis.

The asset mix Jan. 1 was 48.6% equities, 11.2% bonds and 40.2% cash.

Richard C. Erwin, president, is chief investment officer and client contact.

Investors Group Trust Co.

447 Portage Ave., Winnipeg, Manitoba
R3C 3B6; (204) 943-0361

Total assets managed	$297,000,000
Tax-exempt assets managed:	
Total	$297,000,000
Pooled accounts	$277,000,000
Separate accounts	$20,000,000
For subsidiaries of U.S. firms	$0
Mortgage assets	$122,000,000
Minimum separate account	$21,000,000
Tax-exempt clients:	
Pooled	1,638
Separate	3
Types of accounts managed	CEFGU
No. of portfolio managers	8
Size of research staff	5

Investors Group Trust Co. Ltd., a Canadian firm, is an active equity, active fixed-income and short-term manager.

Its equity approach uses a conservative selection process, emphasizing industry sector rotation and liquidity. Its fixed-income approach uses a high-quality bond portfolio with a pooled mortgage fund.

The asset mix Jan. 1 was 20% Canadian stocks, 2% U.S. stocks, 24% bonds, 13% cash and 41% mortgages.

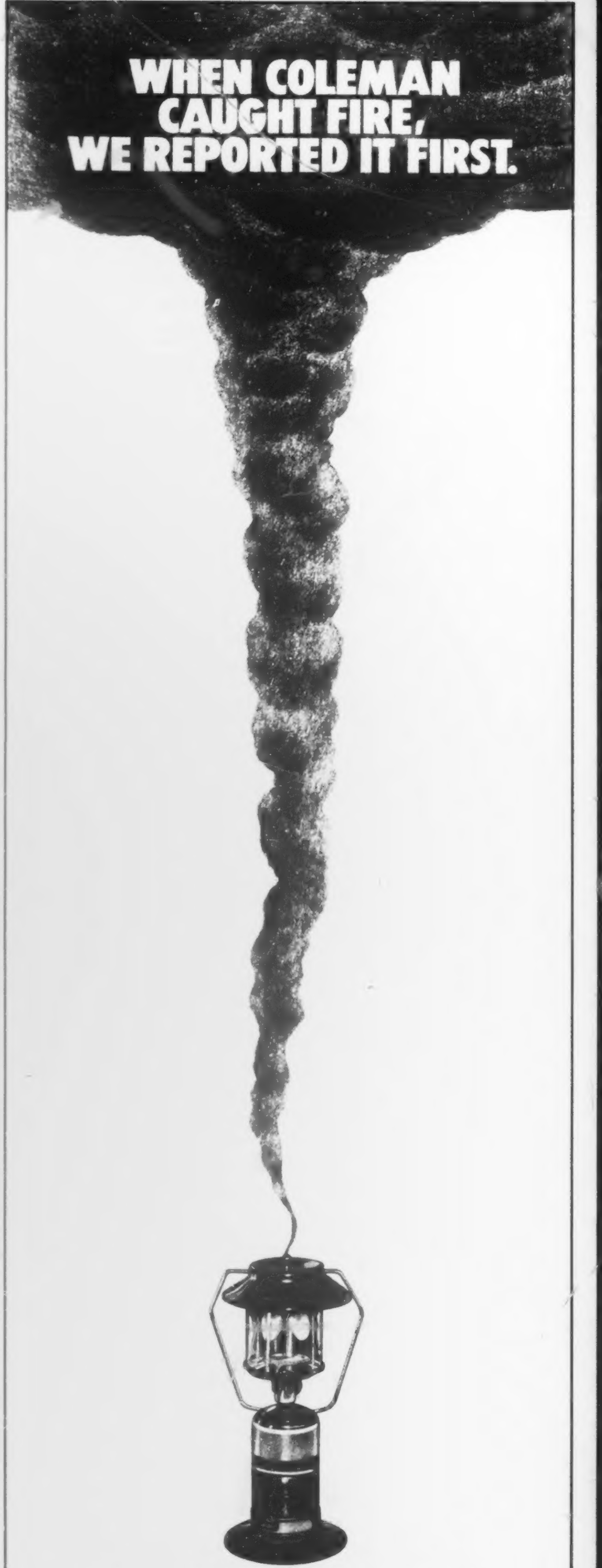
The parent company is Investors Group Inc.

R.E. Archer is chief investment officer; R.G. Darling is client contact.

Investors Management Services Inc.

P.O. Box 3700, Birmingham, Mich.
48012; (313) 642-1020

Total assets managed	$225,000,000
Tax-exempt assets managed:	



The moment Coleman Co.'s stock started to smoke, Professional Investor Report℠ caught the first whiff.

Almost two weeks before a leveraged buyout announcement, we flashed alerts on unusual trading activity to our subscribers. Then we followed the hot spots.

Trade by trade, rumor by rumor, Professional Investor Report, a real-time newswire, provides incisive, on-target coverage of stock market news.

When the formal announcement came, Coleman caught fire: more than 20 points in a single day.

PROFESSIONAL
INVESTOR REPORT℠
from DOW JONES.
1-800-223-2274 Ext. 145

Total	$115,000,000
Separate accounts	$115,000,000
International equity assets	$3,000,000
Minimum separate account	$100,000
Tax-exempt clients	65
Types of accounts managed	CEF
No. of portfolio managers	2

Investors Management Services Inc. is an active equity, active fixed-income, balanced, tactical asset allocation and active international equity and passive international fixed-income manager.

Its equity approach uses low p/e stocks, combining sector rotation and market timing to capitalize on market inefficiencies. Its fixed-income approach uses sector analysis, attempting to maximize returns by adjusting maturities based on interest rate forecasts.

The asset mix Jan. 1 was 45% equities, 50% bonds and 5% cash.

Richard H. Wiggins, president, is chief investment officer; Gerald DeHondt, vice president, is client contact.

Investors Research Co.

1900 State St., Suite H, Santa
Barbara, Calif. 93101; (805)
569-1078

Total assets managed	$102,000,000
Tax-exempt assets managed	
Total	$102,000,000
Pooled accounts	$70,000,000
Separate accounts	$32,000,000
Minimum separate account	$250,000
Tax-exempt clients	
Pooled	1
Separate	23
Types of accounts managed	CEF
No. of portfolio managers	4

Investors Research Co., an active equity and balanced manager, emphasizes stock price trend analysis, which leads to a concentration in the market's leadership sectors. Its defensive strategy features heavy emphasis on cash equivalents.

Options are used.

The asset mix Jan. 1 was 40% equities and 60% cash.

John R. Noble is chief investment officer; Ralph D. Gibson Jr. is client contact.

Investors Research Corp.

10 Gould Center, Suite 408, Rolling
Meadows, Ill. 60008; (312)
640-1511

Total assets managed	$5,675,000,000
Tax-exempt assets managed	
Total	$1,113,000,000
Pooled accounts	$437,000,000
Separate accounts	$676,000,000
401(k)/457 assets managed	$513,000,000
No. of 401(k)/457 plans	38
Minimum separate account	$10,000,000
Tax-exempt clients	
Pooled	21
Separate	24
Types of accounts managed	CEFGJ
No. of portfolio managers	5
Size of research staff	7

Investors Research Corp., primarily an active equity manager, emphasizes growth and emerging growth stocks, employing a bottom-up approach. It follows a rigid sell discipline and remains fully invested.

All assets were in equities Jan. 1.

The firm follows 7,000 stocks closely and 400, generally; 85% of the research is generated internally.

Clients include Wisconsin Electric, Amax, Missouri Employees and Ingersoll-Rand.

James E. Stowers Jr., Dennis von Waaden, Robert Puff Jr., James E. Stowers III and Eric Fuchs are the chief investment officers; Stephen M. Barney and John F. Rogers, vice presidents, are client contacts.

Invista Capital Management

1500 Hub Tower, 699 Walnut, Des
Moines, Iowa 50309; (515)
247-7424

Total assets managed	$3,356,000,000
Tax-exempt assets managed:	
Total	$2,308,000,000
Pooled accounts	$2,007,000,000
Separate accounts	$301,000,000
Minimum separate account	$10,000,000
Tax-exempt clients:	
Pooled	2
Separate	11
Types of accounts managed	CEFG
No. of portfolio managers	2
Size of research staff	6

Invista Capital Management Inc., an active equity manager, develops investment themes and selects stocks based on expected long-term cash flows. Sector rotation is used.

The asset mix Jan. 1 was 98% equity and 2% cash.

The firm follows 250 stocks closely and 500, generally; 95% of the research is generated internally.

The parent company is Principal Financial Group Inc.

Clients include U.S. Olympic Foundation, Iowa Public Employees and Martin Marietta.

S. Ralph Kosmicke, president, is the chief investment officer; Kenneth E. Fridrich, senior vice president, is the client contact.

Ivory & Sime International

39 Main St., Chatham, N.J. 07928;
(201) 635-6700

Total assets managed	$130,000,000
Tax-exempt assets managed	
Total	$130,000,000
Separate accounts	$130,000,000
International equity assets	$117,000,000
Minimum separate account	$5,000,000
Tax-exempt clients	3
Types of accounts managed	C
No. of portfolio managers	42

Ivory & Sime International Inc., an active international equity manager, emphasizes growth stock, sector rotation and market timing, using long-term fundamentals in a research-based approach. Emphasis is on stock selection and identifying companies in a global context.

The asset mix Jan. 1 was 90% international equities and 10% cash.

The firm is a joint venture of Ivory & Sime PLC and Jamison, Eaton & Wood Inc.

Keith H. Wood, president, is the chief investment officer and client contact.

J

Jacobs Levy Equity Management Inc.

Edgewater Commons Two, 81 Two
Bridges Road, Fairfield, N.J. 07006;
(201) 882-0066

Total assets managed	$0
Minimum separate account	$10,000,000
No. of portfolio managers	2

Jacobs Levy Equity Management Inc., an active equity manager, follows a quantitatively driven stock rotation strategy using proprietary anomaly and sector models.

The firm follows 3,000 stocks closely and 3,000, generally; all research is generated internally.

Bruce I. Jacobs and Kenneth N. Levy are the chief investment officers; Mr. Jacobs is the client contact.

Jacques & Kurdziel Ltd.

110 E. 59th St., Suite 1102, New York,
N.Y. 10022; (212) 758-8778

Total assets managed	$330,000,000
Tax-exempt assets managed	$0

Jacques & Kurdziel Ltd. is a real estate manager for Dutch institutions. It seeks office buildings and regional malls, on an all-cash basis, with development or redevelopment potential.

W. Murray Jacques and Donald M. Kurdziel are the client contacts.

James Investment Research

P.O. Box 8, Alpha, Ohio 45301; (513)
426-7640

Total assets managed	$375,000,000
Tax-exempt assets managed:	
Total	$250,000,000
Pooled accounts	$68,000,000
Separate accounts	$182,000,000
Minimum separate account	$2,500,000
Tax-exempt clients:	
Pooled	7
Separate	72
Types of accounts managed	CEF
No. of portfolio managers	5
Size of research staff	7

James Investment Research Inc. is an active equity, active fixed-income and balanced manager.

Its equity approach uses growth and low p/e stocks with sector rotation, market timing and quantitative approaches. It seeks neglected stocks with excellent fundamentals. For fixed-income, only high-quality bonds are bought, with maturities based on interest rate forecasts.

The asset mix Jan. 1 was 60% equities, 10% bonds and 30% cash.

Clients include Fifth Third Bank of Miami Valley, Bank One Indianapolis, Central Printing and Cleveland Painting Industry.

F.E. James is the chief investment officer; Diane M. Rose, research associate, is the client contact.

Jamison, Eaton & Wood, Inc.

39 Main St., Chatham, N.J. 07928;
(201) 635-6700

Total assets managed	$6,420,000,000
Tax-exempt assets managed	
Total	$6,380,000,000
Separate accounts	$6,380,000,000
Tax-exempt clients	28
Types of accounts managed	CEFJG
No. of portfolio managers	5
Size of research staff	1

Jamison, Eaton & Wood Inc. is an active equity, active fixed-income and balanced manager.

In equities, it seeks to provide long-term superior returns with limited risk and capital preservation in down markets. Both top-down asset mix decisions and bottom-up stock selection are employed. Sector rotation is pursued within these disciplines.

In fixed-income, it applies risk reduction techniques to both the maturity and quality decisions. The process is based on the integration of top-down policy-making and bottom-up company analysis. Anticipated changes in interest rates and credit rating are taken into account.

The asset mix Jan. 1 was 55% equities, 19% bonds and 26% cash.

The firm follows 125 stocks closely and 300, generally; 50% of the research is generated internally.

Keith H. Wood, chairman, is chief investment officer and client contact.

Jarislowsky, Fraser & Co.

65 Queen St. W., Suite 1501, Toronto,
Ontario M5H 2M5; (416) 363-7417

Total assets managed	$8,100,000,000
Tax-exempt assets managed	
Total	$6,900,000,000
Separate accounts	$6,900,000,000
For subsidiaries of U.S. firms	$900,000,000
Minimum separate account	$7,000,000
Tax-exempt clients	210
U.S. subsidiaries	30
Types of accounts managed	CEFGU
No. of portfolio managers	10

Jarislowsky, Fraser & Co., a Canadian firm, is an active equity, active fixed-income and balanced manager.

Its equity approach is based on fundamental research using Graham & Dodd analysis. Emphasis is placed on value analysis, financial strength and management competence. Its fixed-income approach uses interest rate anticipation and sector analysis. It maximizes yield primarily by investing in quality corporate bonds. Three criteria are used — safety of principal, average term and yield optimization.

The asset mix Jan. 1 was 35% Canadian stocks, 10% U.S. stocks, 45% bonds and 10% cash.

Clients include F.W. Woolworth, Weston, Xerox Canada and Abitibi.

Stephen Jarislowsky is the chief investment officer; Lorne T. Wickerson is the client contact.

JCB Asset Management

330 Commerce St., Nashville, Tenn.
37201; (615) 748-9422

Total assets managed	$116,000,000
Tax-exempt assets managed:	
Total	$94,000,000
Separate accounts	$94,000,000
Mortgage-backed assets	$5,000,000
Minimum separate ccount	$200,000
Tax-exempt clients	81
Types of accounts managed	CEFG
No. of portfolio managers	3
Size of research staff	12

JCB Asset Management is an active equity, passive fixed-income, balanced and short-term manager.

Its equity approach is value-oriented, using Graham & Dodd analysis and low p/e stocks. Equities are selected through value screens and fundamental analysis; commitment is based on a proprietary allocation model. Its fixed-income approach uses laddered short- to intermediate-term bonds.

The asset mix Jan. 1 was 37% equities, 32% bonds and 31% cash.

The parent is J.C. Bradford & Co.

Norris Nielsen, president, is the chief investment officer; Thomas C. Pollock, vice president, is the client contact.

JCW Investments Inc.

3 Pointe Drive, Suite 212, Brea, Calif.
92621; (714) 529-4111

Total assets managed	$389,000,000
Tax-exempt assets managed	
Total	$389,000,000
Separate accounts	$389,000,000
Equity real estate assets	$6,000,000
Mortgage-backed assets	$29,000,000
Minimum separate account	$10,000,000
Tax-exempt clients	3
Types of accounts managed	FG
No. of portfolio managers	3

JCW Investments Inc. is an active equity, active fixed-income, balanced and real estate manager.

The firm's value-oriented equity investment process uses fundamental and quantitative analysis to generate a list of stocks to buy and hold. In fixed-income, the firm combines high-quality securities with risk-averse decision-making processes. Options are used.

In real estate, it uses a risk-averse philosophy that tailors each investment to client objectives.

The asset mix Jan. 1 was 41% stocks, 44% bonds, 5% cash, 2% equity real estate and 8% mortgage-backed securities.

Bohdan J. Kekish is the chief investment officer; Jennifer K. Weiner is the client contact.

Jennison Associates Capital

466 Lexington Ave., New York, N.Y.
10017; (212) 421-1000

Total assets managed	$19,272,000,000
Tax-exempt assets managed	
Total	$19,272,000,000
Separate accounts	$19,272,000,000
Minimum separate equity account	$20,000,000
Minimum separate bond account	$50,000,000
Tax-exempt clients	76
Types of accounts managed	CEF
No. of portfolio managers	8
Size of research staff	9

Jennison Associates Capital Corp. is an active equity, active and passive fixed-income and balanced manager.

Its primary equity approach focuses on growth stocks, investing in those demonstrating superior absolute and relative earnings growth and that are attractively valued.

In fixed-income, it actively manages long-term, high-quality bonds and handles controlled accounts. It also manages dedicated and quantitatively structured accounts.

The asset mix Jan. 1 was 32.2% equity, 64.9% bonds and 2.9% cash.

The firm follows 250 stocks closely and 300, generally; between 75% and 95% of research is generated internally.

The parent is Prudential Insurance Co. of America.

Spiros Segalas is director, senior vice president and chief investment officer; John Hobbs, president, is client contact.

Jenswold, King & Associates Inc.

Sage Plaza, 5151 San Felipe, Suite
1450, Houston, Texas 77056-3698;
(713) 961-0462

Total assets managed	$306,000,000
Tax-exempt assets managed:	
Total	$115,000,000
Separate accounts	$115,000,000
Minimum separate account	$1,000,000
Tax-exempt clients	51
Types of accounts managed	CEF
No. of portfolio managers	5
Size of research staff	1

Jenswold, King & Associates Inc.is an active equity and balanced manager.

Its value-oriented equity approach uses a business valuation model, featuring asset allocation and an emphasis on preservation of capital. Investments generally have low p/es, high yields or substantial asset values.

Its fixed-income approach regulates maturities based on the slope of the yield curve and interest rate expectations. Straight debt issues rated BAA or better plus convertible bonds selling on a debt basis are used.

The asset mix Jan. 1 was 84% stocks, 11% bonds and 5% cash.

Roger H. Jenswold is the chief investment officer; Roger E. King is the client contact.

25 largest equity real estate managers

Firm	$ mils.*
Equitable Real Estate	13,723
Copley Real Estate	8,931
JMB Institutional	7,400
Prudential Asset	4,949
Aetna Life	4,890
Heitman Advisory	4,500
RREEF Funds	3,665
LaSalle Advisors	2,900
Richard Ellis	2,690
Trust Co./West	2,513
Corporate Property	2,500
Boston Co.	2,481
GE Investments	2,000
CIGNA Asset	1,820
Lehndorff & Babson	1,610
Jones Lang Wootton	1,500
J.P. Morgan	1,500
Sentinel Real Estate	1,385
O'Connor Group	1,300
MIG Realty	1,095
Aldrich, Eastman & Waltch	1,080
F.I.A. Associates	1,080
Alex. Brown Realty	1,075
John Hancock Financial	1,023
Public Storage	1,022
TOTAL	**78,632**

* discretionary, tax-exempt assets

JMB Institutional Realty

900 N. Michigan Ave., Suite 1800,
Chicago, Ill. 60611-1585; (312)
915-1900

Total assets managed	$7,600,000,000
Tax-exempt assets managed:	
Total	$7,400,000,000
Pooled accounts	$6,956,000,000
Separate accounts	$444,000,000
Equity real estate assets	$7,400,000,000
Minimum separate account	$100,000,000
Tax-exempt clients:	
Pooled	250
Separate	10
Types of accounts managed	CEFG
No. of portfolio managers	11
Size of research staff	31

JMB Institutional Realty Corp., a real estate manager, makes equity and equity-oriented investments in diversified portfolios of larger retail, office, industrial and apartment properties using complementary investment structures to optimize returns and emphasizing intensive property management to add value. All assets were invested in equity real estate Jan. 1.

Clients include Ameritech, New York State Common Fund, Massachusetts Institute of Technology and Board of Pensions-United Methodist Church.

The firm is an affiliate of JMB Realty Corp.

Jerome J. Claeys III, chairman, is the chief investment officer; John S. Lillard, president, is the client contact.

JMC Capital Management

2 Lakeway Center, Suite 1400, 3850
N. Causeway Blvd., New Orleans,
La. 70002; (504) 833-1111

Total assets managed	$250,000,000
Tax-exempt assets managed:	
Total	$209,000,000
Separate accounts	$209,000,000
Minimum separate account	$5,000,000
Tax-exempt clients	148
Types of accounts managed	CEFG
No. of portfolio managers	5

JMC Capital Management Inc. is an active equity, active fixed-income and balanced manager.

Its equity approach uses growth stocks, sector rotation and relative strength analysis. It is both top-down and bottom-up in approach. Its primary fixed-income approach is defensive, focusing on government, agencies and investment—grade corporate issues. Maturities range from one to five years.

The asset mix Jan. 1 was 51% of equities, 21% bonds and 28% cash.

Franklin H. Jones Jr. is chief investment officer; Earl Johnson Jr., senior vice president and partner, is client contact.

Johnson Investment Counsel Inc.

5556 Cheviot Road, Cincinnati, Ohio
45247; (513) 385-4001

Total assets managed	$376,000,000
Tax-exempt assets managed	
Total	$221,000,000
Separate accounts	$221,000,000
Mortgage-backed assets	$10,000,000
International equity assets	$10,000,000
Minimum separate account	$250,000
Tax-exempt clients	112
Types of accounts managed	CEFJG
No. of portfolio managers	5
Size of research staff	4

Johnson Investment Counsel Inc. is an active equity, active and passive fixed-income and balanced manager.

Its equity approach uses Graham & Dodd analysis and growth stocks in a top-down approach with sector analysis. For fixed-income, it uses sector analysis, making selections based on quality, duration and special situations. It emphasizes convertible bonds.

The asset mix Jan. 1 was 45% equities, 40% bonds and 15% cash.

Timothy E. Johnson, president, is the chief investment officer; Scott F. Muhlhauser, vice president, is the client contact.

Tom Johnson Investment Management Inc.

1 Leadership Square, Suite 1510, 211
N. Robinson, Oklahoma City, Okla.
73102; (405) 236-2111

Total assets managed	$870,000,000
Tax-exempt assets managed	
Total	$783,000,000
Separate accounts	$783,000,000
401(k)/457 assets managed	$20,000,000
No. of 401(k)/457 plans	11
Minimum separate account	$500,000
Tax-exempt clients	110
Types of accounts managed	CEFG
No. of portfolio managers	2
Size of research staff	2

Tom Johnson Investment Management Inc. is an active equity, active fixed-income and balanced manager.

Its equity approach is top-down, using sector rotation. In fixed-income, it uses interest rate anticipation.

The asset mix Jan. 1 was 45% equities, 45% bonds and 10% cash.

The firm follows 50 stocks closely and 2,000, generally; 15% of the research is generated internally.

Clients include Oklahoma City, University of Tulsa, Presbyterian Health Foundation and Oklahoma Teachers.

Thomas E. Johnson is the chief investment officer; Jerry L. Wise is the client contact.

Jones Lang Wootton Realty Advisors

101 E. 52nd St., New York, N.Y.
10022; (212) 688-8181

Total assets managed	$1,500,000,000
Tax-exempt assets managed:	
Total	$1,500,000,000
Separate accounts	$1,500,000,000
Equity real estate assets	$1,500,000,000
Minimum separate account	$150,000,000
Tax-exempt clients	6
Types of accounts managed	CG
No. of portfolio managers	4
Size of research staff	10

Jones Lang Wootton Realty Advisors, a real estate manager, takes an opportunistic approach that allows for value creation through aggressive property management, leasing, development management and leveraging techniques.

All tax-exempt assets were in equity real estate Jan. 1.

Clients include Pacific Telesis, U S WEST, Illinois Teachers and Wisconsin Investment Board.

John A. Weisz, managing director, is the client contact.

Key to abbreviations

C: Corporate
E: Educational endowment
F: Private foundation
G: U.S. state/local gov't
J: Jointly trusteed
P: Canadian provincial gov't
U: Unions (Canadians only)

Jundt/Capen Associates Inc.

1550 Utica Ave. S., Suite 950,
Minneapolis, Minn. 55416; (612)
5[illegible]677

Total assets managed	$1,416,000,000
Tax-exempt assets managed	
Total	$1,416,000,000
Separate accounts	$1,416,000,000
401(k)/457 assets managed	$32,000,000
No. of 401(k)/457 plans	1
Minimum separate account	$25,000,000
Tax-exempt clients	25
Types of accounts managed	CEFG
No. of portfolio managers	3

Jundt/Capen Associates Inc., an active growth-stock manager, follows a disciplined style for its emerging growth and core portfolios.

The asset mix Jan. 1 was 72% equities and 28% cash.

The firm follows 100 stocks closely and 250, generally; 25% of the research is generated internally.

Clients include Dana, Pacific Gas & Electric, Pacific Telesis and Champion International.

James R. Jundt, chairman, is chief investment officer and client contact.

Jurika & Voyles Inc.

1999 Harrison St., Suite 700, Oakland,
Calif. 94612; (415) 446-1991

Total assets managed	$150,000,000
Tax-exempt assets managed	
Total	$55,000,000
Separate accounts	$55,000,000
Minimum separate account	$1,000,000
Tax-exempt clients	40
Types of accounts managed	CEF
No. of portfolio managers	4
Size of research staff	1

Jurika & Voyles Inc. is an active equity and balanced manager.

Its equity approach is growth-oriented, focusing on cash flow. The firm buys stocks below the market multiple, normally with an return on equity higher than the market average. Fixed-income investments are made based on a momentum index consisting of eight interest rate indicators.

The asset mix Jan. 1 was 60% equities, 30% bonds and 10% cash.

William K. Jurika, president, is chief investment officer; Karl O. Mills, senior associate, is client contact.

Justin Asset Management

1016 16th St. N.W., Suite 103,
Washington, D.C. 20036; (202)
293-0633

Total assets managed	$60,000,000
Tax-exempt assets managed:	
Total	$35,000,000
Separate accounts	$35,000,000
401(k)/457 assets managed	$9,000,000
No. of 401(k)/457 plans	6
Dedicated/immunized assets	$6,000,000
Minimum separate account	$250,000
Tax-exempt clients	27
Types of accounts managed	CEF
No. of portfolio managers	2
Size of research staff	2

Justin Asset Management is an active equity, active fixed-income and balanced manager.

In equities, it buys stocks of businesses with strong finances and high free-cash returns at discounts and holds until the value is realized.

Its fixed-income approach uses interest rate anticipation, buying bonds of strongly financed entities with a tendency to remain short.

The asset mix Jan. 1 was 50% equities, 30% bonds and 20% cash.

Christopher M. Niemczewski is chief investment officer; William Kapner, managing director, is client contact.

K

Kahn Brothers & Co. Inc.

**1 Exchange Plaza, 55 Broadway, New
York, N.Y. 10306; (212) 269-7450**

Total assets managed	$267,000,000
Tax-exempt assets managed	
Total	$169,000,000
Separate accounts	$169,000,000
International equity assets	$10,000,000
Minimum separate account	$500,000
Tax-exempt clients	22
Types of accounts managed	CEF

Kahn Brothers & Co. Inc. is an active equity, active fixed-income and balanced manager.

Its equity approach employs fundamental Graham & Dodd analysis to identify investments with potential for value realization. In fixed-income it concentrates on higher-grade credits and frequently invests in less conventional instruments to improve yield without sacrificing credit quality.

Last year's total and tax-exempt asset figures included non-discretionary assets. This year, all numbers are for discretionary assets.

The asset mix Jan. 1 was 35.9% stocks, 47% bonds and 17.1% cash.

Alan Russell Kahn, president, is the chief investment officer; Thomas G. Kahn, executive vice president, is the client contact.

Daniel S. Kampel Associates

115 Broadway, New York, N.Y. 10006;
(212) 233-9410

Total assets managed	$578,000,000
Tax-exempt assets managed:	
Total	$571,000,000
Separate accounts	$571,000,000
Minimum separate account	$5,000,000
Tax-exempt clients	18
Types of accounts managed	CFJ
No. of portfolio managers	3

Daniel S. Kampel Associates Inc. is an active and passive equity, active and passive fixed-income and balanced manager.

Its primary equity approach is value-oriented, focusing on growth and emerging growth stocks and using sector rotation. Its fixed-income approach uses interest rate anticipation.

The asset mix Jan. 1 was 34% equities, 51% bonds and 15% cash.

The firm follows 40 stocks closely and 100, generally; 25% of the research is generated internally.

Clients include New York Hotel Trades Council, Contel and Bakery Drivers Local 550.

Daniel S. Kampel, president, is chief investment officer and client contact.

Kangyo Kakumaru Capital Management Corp.

1 World Financial Center, 18th Floor,
New York, N.Y. 10281; (212)
587-7654

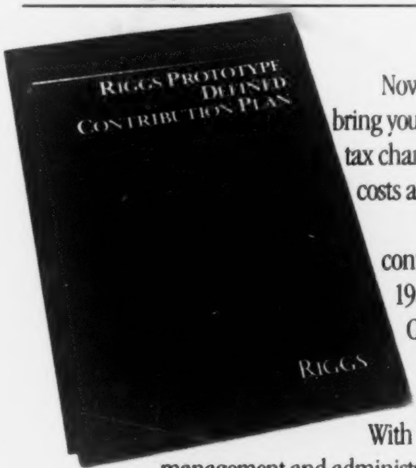
Total assets managed	$58,000,000
Tax-exempt assets managed	$0
Minimum separate account	$1,000,000
No. of portfolio managers	22
Size of research staff	62

Kangyo Kakumaru Capital Management Corp. is an active equity, active fixed-income, balanced, and active international/global equity and fixed-income manager.

Its equity approach emphasizes growth and emerging growth stocks

Riggs Makes Pension Planning A Lot Less Taxing.

The Riggs Prototype Defined Contribution Plan.



Now Riggs offers a model pension plan that can bring your current program into compliance with recent tax changes. It can simplify administration and save costs as well.

The Riggs Prototype Defined Contribution Plan contains all of the requirements mandated by the 1986 Tax Reform Act and the Internal Revenue Code. It gives businesses the flexibility of a variety of plans including Money Purchase, Profit Sharing and 401(k).

With Riggs you find a full range of investment management and administrative services for retirement plans of all sizes. Plus, pension plan specialists who stay current with ever changing tax laws.

We invite you to find out more about our retirement plan services and to take advantage of our free brochure.

TrustGroup

*Call one of our specialists in the District of Columbia: Fran Micka, 202-835-6767.
In Virginia: Kelly Thompson, 703-848-8778. In Maryland: Frederic Burke, 301-468-3855.*

RIGGS

Bankers To The Most Important Money In The World.™

The Riggs National Banks of Washington, D.C., Virginia and Maryland. Members FDIC.

chosen through fundamental research and identification of investment themes. Its fixed-income approach is based on sector analysis and interest rate anticipation.

The parent company is Kangyo Kakumaru Capital Management Co. Ltd.

Tadao Doshida, president, is chief investment officer; Yuji Sasao, vice president, is client contact.

Kanne, Paris & Hoban Inc.

135 S. LaSalle St., Chicago, Ill. 60603;
(312) 372-2255

Total assets managed	$110,000,000
Tax-exempt assets managed:	
Total	$70,000,000
Separate accounts	$70,000,000
Minimum separate account	$500,000
Tax-exempt clients	63
Types of accounts managed	CEFJ
No. of portfolio managers	3
Size of research staff	2

Kanne, Paris & Hoban Inc., an active equity manager, takes a conservative and risk-adverse investment approach, emphasizing Graham & Dodd analysis to identify and invest in undervalued equities. It invests in companies with large market capitalization and strong profit performance that are overlooked by the market.

The asset mix Jan. 1 was 77% equity, 1% bonds and 22% cash.

The firm follows 700 stocks closely and 12,000, generally.

Jeffrey E. Kanne, president, is chief investment officer; Ernest J. Dunston, senior vice president, is client contact.

Karsten Realty Advisors

12121 Wilshire Blvd., Suite 900, Los Angeles, Calif. 90025; (213)
826-0035

Total assets managed	$1,191,000,000
Tax-exempt assets managed:	
Total	$550,000,000
Pooled accounts	$59,000,000
Separate accounts	$491,000,000
Equity real estate assets	$451,000,000
Mortgage assets	$99,000,000
Minimum separate account	$20,000,000
Tax-exempt clients:	
Pooled	9
Separate	13
Types of accounts managed	C

Karsten Realty Advisors, a real estate manager, emphasizes equity ownership and equity-oriented mortgages either wholly owned or joint ventures in existing properties, forward commitments and development projects. It focuses on office, industrial, R&D and retail properties in the West and Southwest.

The asset mix Jan. 1 was 81% equity real estate and 19% mortgages.

Clients include TREET, Ohio Teachers, Screen Actors Guild Producers and Nevada Employees.

A. Redmond Doms Jr. is managing principal and chief investment officer; John M. Lundsten and Robert A. Feren, principals, are client contacts.

KAS Investment Consultants

13005 S.E. 46th, Bellevue, Wash.
98006; (206) 641-7645

Total assets managed	$6,000,000
Tax-exempt assets managed:	
Total	$2,000,000
Separate accounts	$2,000,000
Minimum separate account	$100,000
Tax-exempt clients	6
Types of accounts managed	C
No. of portfolio managers	2
Size of research staff	1

KAS Investment Consultants is an active equity, active fixed-income, balanced and tactical asset allocation manager.

Its equity approach focuses on stocks with strong fundamental value. Low p/e stocks, market timing and Graham & Dodd analysis are employed. Its fixed-income approach is driven by interest rate anticipation. Credit condition, economic forecasts and markets are reviewed.

The asset mix Jan. 1 was 55% equity, 35% bonds and 10% cash.

R.J. Wells-Henderson, principal, is the chief investment officer; Richard L. Wilkins, principal, is the client contact.

Kemper Financial Services

120 S. LaSalle St., Chicago, Ill. 60603;
(312) 845-1288

Total assets managed	$49,035,000,000
Tax-exempt assets managed:	
Total	$2,694,000,000
Pooled accounts	$47,000,000
Separate accounts	$2,647,000,000
International equity assets	$52,000,000
Minimum separate account	$10,000,000
Tax-exempt clients:	
Pooled	16
Separate	60
Types of accounts managed	CEFG
No. of portfolio managers	20
Size of research staff	24

Kemper Financial Services is an active equity, active fixed-income and balanced manager.

Its equity approach is fundamental, selecting individual stocks possessing superior earnings growth potential at valuations that underestimate that growth.

Its fixed-income approach follows a sector allocation style that emphasizes issuer selection within a controlled framework of plus or minus 25% of the duration of the Shearson Lehman Hutton Government/Corporate Bond Index.

The asset mix Jan. 1 was 63% equities, 21% bonds ad 16% cash.

The firm follows 200 stocks closely and 1,000, generally; 80% of the research is generated internally.

The parent company is Kemper Financial Cos.

Clients include Arlington County, Illinois Teachers, Great Northern Nekoosa and Rochester Gas & Electric.

Stephen B. Timbers is the chief investment officer; Gary S. Klem is the client contact.

Kemper-Murray Johnstone International Inc.

120 S. LaSalle St., Chicago, Ill. 60603;
(312) 845-1934

Total assets managed	$717,000,000
Tax-exempt assets managed:	
Total	$533,000,000
Separate accounts	$533,000,000
International equity assets	$143,000,000
International bond assets	$389,000,000
Minimum separate account	$5,000,000
Tax-exempt clients	25
Types of accounts managed	CFG
No. of portfolio managers	8
Size of research staff	32

Kemper-Murray Johnstone International Inc. is an international and regional equity and fixed-income manager.

Its equity approach begins with macroeconomic evaluation, leading to country allocation. Security selection is based on a long-term value-oriented approach. In fixed-income it focuses on interest rate anticipation. Appropriate country allocation and duration structures are determined, but final selection focuses on bond quality. Options are used.

The asset mix Jan. 1 was 22% equity, 68% bonds and 10% cash.

The parent company is Kemper Financial Services.

Michael Parlett, director and executive vice president, is the chief investment officer; Susan E. Mullin, assistant vice president, is the client contact.

Kempner Capital Management

P.O. Box 119, Galveston, Texas
77553; (409) 765-6671

Total assets managed	$382,000,000
Tax-exempt assets managed:	
Total	$130,000,000
Pooled accounts	$42,000,000
Separate accounts	$88,000,000
401(k)/457 assets managed	$5,000,000
No. of 401(k)/457 plans	1
International equity assets	$18,000,000
Minimum separate account	$5,000,000
Tax-exempt clients:	
Separate	6
Types of accounts managed	CEF
No. of portfolio managers	2

Kempner Capital Management is an active and passive equity, passive fixed income and active international equity manager.

Its equity approach emphasizes Graham & Dodd analysis and low p/e stocks with limited downside risk. Options are used. In fixed-income, it buys high-quality, full-faith-and-credit governments.

The asset mix Jan. 1 was 75% equities and 25% cash.

Harris L. Kempner Jr. is the chief investment officer; Donna Gindrup, vice president, is the client contact.

Kennedy Associates Inc.

2400 Financial Center, Seattle, Wash.
98161; (206) 624-9640

Total assets managed	$3,398,000,000
Tax-exempt assets managed:	
Total	$3,398,000,000
Pooled accounts	$525,000,000
Separate accounts	$2,873,000,000
Equity real estate assets	$822,000,000
Mortgage assets	$27,000,000
Minimum separate account	$10,000,000
Tax-exempt clients:	
Pooled	101
Separate	62
Types of accounts managed	EFGJ
No. of portfolio managers	13
Size of research staff	5

Kennedy Associates Inc. is an active equity, active fixed-income, balanced, real estate manager and short-term manager.

Its primary equity approach concentrates on stocks selling at a sufficient discount to capitalization of future earnings stream that they provide a total return potential exceeding that of competing financial instruments.

Its primary fixed-income approach focuses on interest rate anticipation and sector rotation using a business cycle approach. Interest rate sensitivity and duration convexity are actively managed via portfolio structure and security selection.

Its real estate approach focuses equity ownership of commercial structures in prime locations providing competitive current return and long-term appreciation potential.

The asset mix Jan. 1 was 30% equities, 45% bonds, 24% real estate equity and 1% mortgages.

The parent company is York Trust Ltd. PLC.

Duff Kennedy, president, is the chief investment officer; Roger V. Kelly, senior vice president, is the client contact.

Kennedy Capital Management Inc.

425 N. New Ballas Road, Suite 181, St. Louis, Mo. 63141-6821; (314)
432-0400

Total assets managed	$79,000,000
Tax-exempt assets managed:	
Total	$70,000,000
Separate accounts	$70,000,000
International equity assets	$2,000,000
Minimum separate account	$250,000
Tax-exempt clients	58
Types of accounts managed	CE
No. of portfolio managers	2
Size of research staff	5

Kennedy Capital Management Inc. is an active equity and tactical asset allocation manager.

Its equity approach uses sector rotation, market timing, Graham & Dodd analysis and low p/e, growth and emerging growth stocks. Basic value/earnings momentum screens identify stocks with greatest return potential.

The asset mix Jan. 1 was 90% equities and 10% cash.

Gerald T. Kennedy is the chief investment officer; C.W. Carrera, administrative director, is the client contact.

Keystone Investment Management Corp.

99 High St., Boston, Mass. 02110;
(617) 338-3600

Total assets managed	$596,000,000
Tax-exempt assets managed:	
Total	$434,000,000
Pooled accounts	$54,000,000
Separate accounts	$380,000,000
Minimum separate account	$5,000,000
Tax-exempt clients:	
Pooled	5
Separate	96
Types of accounts managed	CEFG
No. of portfolio managers	9
Size of research staff	1

Keystone Investment Management Corp. is an active equity, active fixed-income and balanced manager.

In equities, it focuses on a 400-stock large-cap universe, ranked using propriety valuation model to identify low p/e, low price to book, and value-oriented issues with high growth rates and positive momentum.

Its primary fixed-income approach is keyed to interest rate anticipation and the shape of the yield curve. Portfolios are constructed using investment-grade issues and intermediate-term average maturities.

The asset mix Jan. 1 was 50% equities, 40% bonds and 10% cash.

The parent is Travelers Corp.

George F. Wilkins Jr., senior vice president, is the chief investment officer; Robert A. Shann, vice president-sales, is the client contact.

Key Trust Co.

60 State St., Albany, N.Y. 12207;
(518) 486-8037

Total assets managed	$1,919,000,000
Tax-exempt assets managed:	
Total	$626,000,000
Commingled accounts	$39,000,000
Separate accounts	$587,000,000
Minimum separate account	$500,000
Tax-exempt clients:	
Commingled	152
Separate	420
Types of accounts managed	CEFGJ
No. of portfolio managers	11
Size of research staff	4

Key Trust Co. is an active and passive equity, active and passive fixed-income, balanced and short-term manager.

Its equity approach emphasizes sector rotation and market timing. Its fixed-income approach is driven by interest rate anticipation and sector analysis. Options are used.

The asset mix Jan. 1 was 44% equities, 52% bonds and 4% cash.

The bank follows 100 stocks closely and 160, generally.

The parent company is KeyCorp.

Peter A. Farrell, executive vice president, is the chief investment officer; Dennis P. Sheehan, group vice president-marketing, is the client contact.

Key Trust Co. of the Northwest

1000 2nd Ave., 11th Floor, Seattle, Wash. 98104; (206) 684-6100

Total assets managed	$270,000,000
Tax-exempt assets managed:	
Total	$110,000,000
Commingled accounts	$31,000,000
Separate accounts	$79,000,000
401(k)/457 assets managed	$8,000,000
No. of 401(k)/457 plans	20
Minimum separate account	$1,000,000
Tax-exempt clients:	
Commingled	170
Separate	48
Types of accounts managed	CEF
No. of portfolio managers	5

Key Trust Co. of the Northwest is an active equity, active and passive fixed-income and short-term manager.

Its equity approach looks for existing value. It focuses on historical and current p/e ratios to identify inexpensive stocks. Its fixed-income approach focuses on secular interest rate trends and the status of the business cycle. Intermediate-term maturities are used.

The asset mix Jan. 1 was 60% stocks, 35% bonds and 5% cash.

The parent company is KeyCorp.

Dana K. Harken, vice president and manager, is the chief investment officer; Jackie Lorenz, vice president, is the client contact.

Kiene Wooters and Associates Inc.

309 Clifton Ave., Minneapolis, Minn.
55403; (612) 870-8800

Total assets managed	$425,000,000
Tax-exempt assets managed:	
Total	$141,000,000
Separate accounts	$141,000,000
Equity indexed assets	$16,000,000
Fixed-income indexed assets	$33,000,000
Minimum separate account	$1,000,000
Tax-exempt clients	25
Types of accounts managed	C
No. of portfolio managers	4
Size of research staff	1

Kiene Wooters and Associates Inc. is a passive equity, passive fixed-income, balanced and futures/options manager.

Its investment philosophy is based on the premise that returns earned on a core portfolio will be above average and at a lower relative cost when achieved through indexing. The firm offers three products designed to add value to the core indexing product.

Options, stock index futures and fixed-income futures are used.

The asset mix Jan. 1 was 40% stocks, 50% bonds and 10% cash.

Portfolio insurance is provided to six clients covering $40 million in discretionary tax-exempt assets.

Jack Hansen and Rick Ballsrud are chief investment officers; Kevin B. Erdman, director of marketing-sales, is client contact.

Luther King Capital Management

301 Commerce St., Suite 1600, Fort Worth, Texas 76102; (817)
332-3235

Total assets managed	$2,600,000,000
Tax-exempt assets managed:	
Total	$1,900,000,000
Pooled accounts	$14,000,000
Separate accounts	$1,886,000,000
Minimum separate account	$5,000,000
Tax-exempt clients:	
Pooled	1
Separate	110
Types of accounts managed	CEFG
No. of portfolio managers	6
Size of research staff	3

Luther King Capital Management is an active equity, active fixed-income and balanced manager.

Its equity approach emphasizes companies with high sustainable return on equity assuming prudent use of leverage and companies with substantially undervalued assets and excess cash flow.

Its fixed-income approach is based on interest rate anticipation. The firm also invests in sinking fund corporate issues where the sinker is active.

The asset mix Jan. 1 was 82% equities, 10% bonds and 8% cash.

The firm follows 110 stocks closely and 400, generally; 50% of the research is generated internally.

U.S. tax-exempt clients include Kimberly Clark, Notre Dame University and Fred Meyer Charitable Trust.

Luther King is chief investment officer; Emmett Murphy is client contact.

Kingsley, Jennison, McNulty & Morse Inc.

The International Building, 601 California St., Suite 700, San Francisco, Calif. 94108-2812; (415)
433-5844

Total assets managed	$300,000,000
Tax-exempt assets managed	$249,000,000
Real estate assets	$13,000,000
Minimum separate account	$1,000,000
Tax-exempt clients	32
Types of accounts managed	CEFJG
No. of portfolio managers	5
Size of research staff	2

Kingsley, Jennison, McNulty & Morse Inc. is an equity, fixed-income and balanced manager.

Its equity approach is active, investing 80% of funds in quality, demonstrated growth stocks and 20% in emerging growth stocks. Its fixed-income approach uses interest rate anticipation and sector analysis. Portfolio duration and sector weightings are varied relative to client baseline index; futures and options hedging strategies are used to manage volatility.

Richard K. Kingsley, chairman and chief executive officer, is chief investment officer; Samuel B. Breck, senior vice president, is client contact.

Kingwest & Co.

86 Avenue Road, Toronto, Ontario
M5R 2H2; (416) 927-7740

Total assets managed	$300,000,000
Tax-exempt assets managed:	
Total	$270,000,000
Separate accounts	$270,000,000
For subsidiaries of U.S. firms	$39,000,000
Non-North American equities	$13,000,000
Minimum separate account	$3,000,000
Tax-exempt clients	13
U.S. subsidiaries	3
Types of accounts managed	CFU
No. of portfolio managers	3

Kingwest & Co., a Canadian firm, is an active equity, balanced and active international equity manager.

In equities, it uses a cash/discount model. The firm seeks to acquire cheap assets and hold until the value is recognized. Low p/e stocks and Graham & Dodd analysis are used. Its fixed-income approach uses a macroeconomic view to anticipate interest rates.

The asset mix Jan. 1 was 40% Canadian stocks, 8% U.S. stocks, 38% bonds and 14% cash.

It follows 25 stocks closely and 60, generally; 75% of research is generated internally.

Richard Fogler, managing director, is chief investment officer; Bruce Taylor, managing director, is client contact.

Kirkpatrick Pettis Management

1623 Farnam St., Suite 700, Omaha,
Neb. 68102; (402) 449-1400

Total assets managed	$222,000,000
Tax-exempt assets managed	
Total	$201,000,000
Separate accounts	$201,000,000
401(k)/457 assets managed	$395,000
No. of 401(k)/457 plans	5
Mortgage-backed assets	$4,000,000
Minimum separate account	$100,000
Tax-exempt clients	79
Types of accounts managed	CEFJG
No. of portfolio managers	5
Size of research staff	2

Kirkpatrick Pettis Management is an active equity, passive fixed-income and balanced manager.

Its equity strategy is conservative, using a fundamental, bottom-up, value-oriented approach.

The asset mix Jan. 1 was 53% equity, 37% bonds and 10% cash.

The parent company is Mutual of Omaha.

Rodney Cerny, first vice president, is the chief investment officer; W. Bruce Remington, assistant vice president, is the client contact.

Kirr, Marbach & Co.

621 Washington St., Columbus, Ind.
47201; (812) 376-9444

Total assets managed	$383,000,000
Tax-exempt assets managed	
Total	$305,000,000
Pooled accounts	$10,000,000
Separate accounts	$295,000,000
401(k)/457 assets managed	$4,000,000
No. of 401(k)/457 plans	3
Minimum separate account	$2,000,000
Tax-exempt clients	
Pooled	1
Separate	96
Types of accounts managed	CEF
No. of portfolio managers	2
Size of research staff	2

Kirr, Marbach & Co. is an active equity, passive fixed-income, balanced and short-term manager.

Its equity approach emphasizes Graham & Dodd analysis.

The asset mix Jan. 1 was 57% equity, 27% bonds and 16% cash.

The firm follows 120 stocks closely and 300, generally; 50% of the research is generated internally.

Terry B. Marbach, vice president, is the chief investment officer; David M. Kirr, president, is the client contact.

Kleinwort Benson International Investment

200 Park Ave., New York, N.Y. 10166;
(212) 351-5800

Total assets managed	$314,000,000
Tax-exempt assets managed	
Total	$173,000,000
Pooled accounts	$18,000,000
Separate accounts	$155,000,000
International equity assets	$166,000,000
International fixed-income assets	$5,000,000
International cash assets	$2,000,000
Tax-exempt clients	
Pooled	3
Separate	4
Types of accounts managed	CF
No. of portfolio managers	5

Kleinwort Benson International Investment Ltd. is an active international equity and fixed-income manager.

Its equity approach is based on the selection of companies with above-average earnings growth while recognizing the role of markets. Its fixed-income approach is top-down, emphasizing interest and exchange rate anticipation and sector analysis.

The asset mix Jan. 1 was 96% equities, 3% bonds and 1% cash.

The parent company is Kleinwort Benson Group PLC.

John F.H. Trott is chief investment officer; Julie M. Cochran, vice president-marketing, is client contact.

Knight, Bain, Seath & Holbrook Capital Management Inc.

1500 — 8 King St. E., Toronto, Ontario
M5C 1B5; (416) 863-1433

Total assets managed	$2,283,000,000
Tax-exempt assets managed	
Total	$2,283,000,000
Pooled accounts	$76,000,000
Separate accounts	$2,207,000,000
For subsidiaries of U.S. firms	$401,000,000
Minimum separate account	$20,000,000
Tax-exempt clients	
Pooled	20
Separate	57
U.S. subsidiaries	12
Types of accounts managed	CEFU
No. of portfolio managers	4
Size of research staff	2

Knight, Bain, Seath & Holbrook Capital Management Inc., a Canadian firm, is an active equity, active fixed-income and balanced manager.

Its equity approach uses Graham & Dodd analysis to identify growth and low p/e stocks. Its fixed-income approach uses interest rate anticipation.

The asset mix Jan. 1 was 40% Canadian stocks, 15% U.S. stocks, 30% bonds and 15% cash.

It follows 50 stocks closely and 100, generally; 40% of research is generated internally.

Clients include Coca-Cola, Procter & Gamble, Dow Chemical and Northern Telecom.

Herbert N. Seath is the chief investment officer and client contact.

KR Capital Advisors Inc.

450 Park Ave., New York, N.Y. 10022;
(212) 888-6300

Total assets managed	$703,000,000
Tax-exempt assets managed	
Total	$635,000,000
Separate accounts	$635,000,000
401(k)/457 assets managed	$38,000,000
No. of 401(k)/457 plans	2
Minimum separate account	$10,000,000
Tax-exempt clients	15
Types of accounts managed	CFG
No. of portfolio managers	2

KR Capital Advisors Inc., primarily an active equity manager, has a bias toward Graham & Dodd, but takes a more opportunistic approach analyzed from a corporate finance or an entrepreneurial perspective.

The asset mix Jan. 1 was 91.4% equity, 1.7% bonds and 6.9% cash.

The firm follows 100 stocks closely and 300, generally; 90% of the research is generated internally.

Clients include Allied-Signal, Baker-Hughes, Schlumberger and Hughes Aircraft.

Edward D. Klein, chairman, is the client contact.

Kreger Capital Management

20180 Governors Highway, Olympia
Fields, Ill. 60461; (312) 481-1314

Total assets managed	$21,000,000
Tax-exempt assets managed	
Total	$15,000,000
Separate accounts	$15,000,000
Equity real estate assets	$650,000
Tax-exempt clients	34
Types of accounts managed	CEFJ
No. of portfolio managers	2
Size of research staff	1

Kreger Capital Management is an active and passive equity, active and passive fixed-income and real estate manager.

Its equity approach is 70% reliance on market timing, 20% on industry selection and 10% on individual stock selection. Its fixed-income approach uses interest rate anticipation. Options are used.

The firm follows 50 stocks closely and 150, generally; none of the research is generated internally.

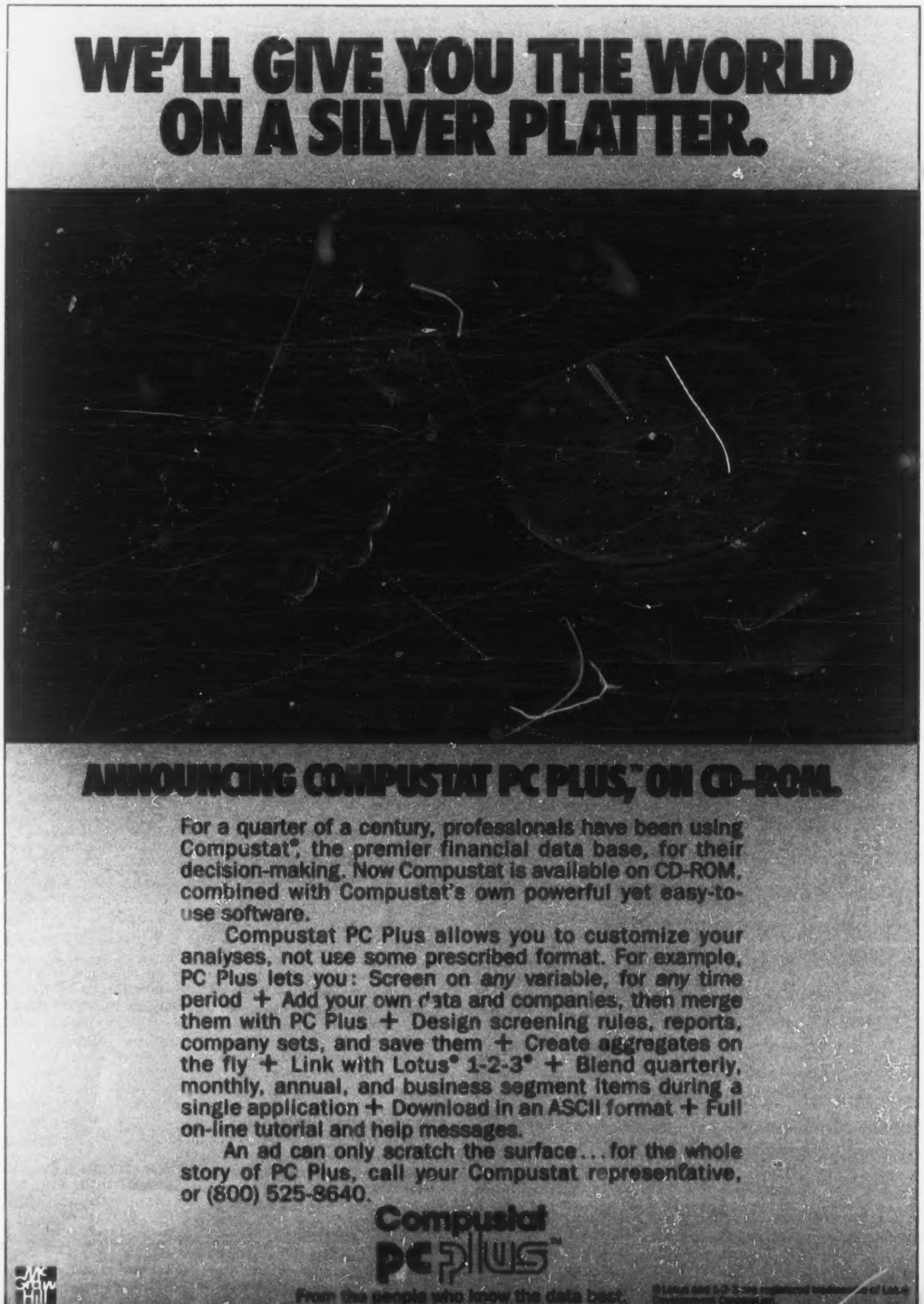
D.F. Kreger, president, is the chief investment officer and client contact.

L

Laidlaw Holdings Asset Management Inc.

275 Madison Ave., New York, N.Y.
10016; (212) 949-5400

Total assets managed	$200,000,000
Tax-exempt assets managed	
Total	$50,000,000
Separate accounts	$50,000,000



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401(k)/457 assets managed	$2,000,000
No. of 401(k)/457 plans	2
International equity assets	$5,000,000
International fixed-income assets	$5,000,000
Minimum separate account	$100,000
Tax-exempt clients	25
Types of accounts managed	CF
No. of portfolio managers	5
Size of research staff	2

Laidlaw Holdings Asset Management Inc. is an active equity, active fixed-income, balanced manager and active international equity manager.

Its equity approach emphasizes growth and emerging growth stocks and employs sector rotation and market timing/tactical asset allocation. Its fixed-income approach uses interest rate anticipation.

The asset mix Jan. 1 was 50% equity, 35% bonds and 15% cash.

The parent company is Laidlaw Holdings Inc.

Walter LeRoy Twiste is the chief investment officer and the client contact.

Laketon Investment Management

P.O. Box 31, Royal Bank Plaza,
Toronto, Ontario M5J 2J1; (416) 868-1380

Total assets managed	$800,000,000
Tax-exempt assets managed:	
Total	$700,000,000
For subsidiaries of U.S. firms	$75,000,000
Minimum separate account	$5,000,000
Tax-exempt clients	28
U.S. subsidiaries	1
Types of accounts managed	CEGU
No. of portfolio managers	5

Laketon Investment Management, a Canadian firm, is an active equity, active fixed-income and balanced manager.

Its equity approach is to invest 50% in the current business cycle sector, 20% to 25% in Graham & Dodd sector and 25% to 30% in special situations with superior managers.

Its fixed-income approach uses sector analysis to take advantage of anomalies in the market. A fundamental approach is based on economic analysis and interest rate anticipation.

The asset mix Jan. 1 was 40% Canadian stocks, 5% U.S. stocks, 45% bonds and 10% cash.

Alden S. White, managing partner, is the chief investment officer and client contact.

Alan B. Lancz & Associates

3930 Sunforest Court, Toledo, Ohio
43623; (419) 474-6733

Total assets managed	$40,000,000
Tax-exempt assets managed:	
Total	$25,000,000
Separate accounts	$25,000,000
International equity assets	$500,000
Minimum separate account	$100,000
Tax-exempt clients	80
Types of accounts managed	CEF
No. of portfolio managers	1
Size of research staff	3

Alan B. Lancz & Associates Inc. is an active equity, active fixed-income and balanced manager.

Its equity approach targets emerging growth and growth stocks using Graham & Dodd and low p/e analysis. Marketing timing is used. Preservation of capital is utmost. In fixed-income, it uses interest rate anticipation and sector analysis.

The asset mix Jan. 1 was 80% stocks, 10% bonds and 10% cash.

Alan B. Lancz, president, is chief investment officer; Jody Stoner, manager-client relations, is client contact.

Landauer Advisors Inc.

335 Madison Ave., New York, N.Y.
10017; (212) 687-2323

Total assets managed	$728,000,000
Tax-exempt assets managed:	
Total	$63,000,000
Pooled accounts	$41,000,000
Separate accounts	$22,000,000
Equity real estate assets	$63,000,000
Minimum separate account	$25,000,000
Tax-exempt clients:	
Pooled	5
Separate	1
Types of accounts managed	C
No. of portfolio managers	7
Size of research staff	1

Landauer Advisors Inc., a real estate manager, uses research and proprietary data to acquire investments before they are known to the general market. All properties are subject to an intensive entrepreneurial asset management program to assure long-term profitability.

All assets were in equity real estate Jan. 1.

Frank B. McBrearity Jr., president, is the chief investment officer and is the client contact.

LaSalle Advisors Ltd.

11 S. LaSalle St., Chicago, Ill. 60603;
(312) 782-5800

Total assets managed	$2,900,000,000
Tax-exempt assets managed:	
Total	$2,900,000,000
Pooled accounts	$2,200,000,000
Separate accounts	$700,000,000
Equity real estate assets	$2,900,000,000
Minimum separate account	$100,000,000
Tax-exempt clients:	
Pooled	87
Separate	6
Types of accounts managed	CFG

LaSalle Advisors Ltd., a real estate manager, makes equity purchases of larger high-quality office buildings, shopping centers and industrial parks with the objective of producing superior returns through aggressive management with its own professional on site management.

All tax-exempt assets were in equity real estate Jan. 1.

The parent company is LaSalle Partners Ltd.

Clients include Bell Atlantic, American Red Cross, International Paper and Florida Board of Administration.

Kenneth M. Campia, president, is the chief investment officer; Christopher J. Burke (East and Midwest), Hugh E. Reams Jr. (Southeast) and William N. Thompson (West) are the client contacts.

LaSalle National Bank

135 S. LaSalle, Chicago, Ill. 60690;
(312) 443-2497

Total assets managed	$1,500,000,000
Tax-exempt assets managed:	
Total	$1,071,000,000
Commingled accounts	$500,000,000
Separate accounts	$571,000,000
401(k)/457 assets managed	$283,000,000
No. of 401(k)/457 plans	200
Mortgage-backed assets	$54,000,000
International equity assets	$2,000,000
Equity indexed assets	$2,000,000
Minimum separate equity account	$5,000,000
Tax-exempt clients:	
Commingled	300
Separate	100
Types of accounts managed	CFJ
No. of portfolio managers	10
Size of research staff	7

LaSalle National Bank is an active and passive equity, active fixed-income, balanced, tactical asset allocation, active international equity, short-term and venture capital manager.

In equities, it uses a consistent, quantitative approach, offering a family of equity products including core, value, growth and international.

Its fixed-income approach is based on interest rate anticipation and sector analysis. It establishes a yardstick, then constructs a portfolio with a yield advantage and positive convexity. Duration is managed based on rate forecasts.

The asset mix Jan. 1 was 20% stocks, 35% bonds, 5% mortgage-backed securities, 10% cash and 30% GICs.

The parent company is ABN.

Bentley Myer, vice president, is the chief investment officer; James F. Sullivan, senior vice president, is the client contact.

Latimer & Buck Real Estate Advisors

121 S. Broad St., Philadelphia, Pa.
19107; (215) 985-3921

Total assets managed	$1,106,000,000
Tax-exempt assets managed:	
Total	$1,106,000,000
Separate accounts	$1,106,000,000
Equity real estate assets	$634,000,000
Mortgage assets	$472,000,000
Minimum separate account	$10,000,000
Tax-exempt clients	2
Types of accounts managed	G
No. of portfolio managers	4

Latimer & Buck Real Estate Advisors, a real estate manager, concentrates on equity-oriented investments using participating and convertible mortgages and joint-venture structures.

The asset mix Jan. 1 was 57% equity real estate and 43% mortgages.

The parent is First Fidelity Bancorp.

Clients are Pennsylvania Public School Employes and Pennsylvania State Employes.

Douglas S. Callantine is the chief investment officer; M. Andrew Sheffler is client contact.

The Laughlin Group Advisors Inc.

12655 S.W. Center, Suite 280,
Beaverton, Ore. 97005; (503) 643-7032

Total assets managed	$1,342,000,000
Tax-exempt assets managed:	
Total	$1,342,000,000
Assigned to other firms	$1,342,000,000
Minimum separate account	$10,000,000
Tax-exempt clients	53
Types of accounts managed	C
No. of portfolio managers	5
Size of research staff	4

The Laughlin Group Advisors Inc. is a manager of guaranteed investment contract portfolios. All of the $1.342 billion in tax-exempt assets is managed externally by issuers of guaranteed investment contracts.

Accounts are structured to provide stable cash flow, diversity by issuer, strong credit quality and high yields.

The asset mix Jan. 1 was 35% floating rate GICs, 50% fixed-rate GICs and 15% cash.

The parent company is The Laughlin Group Inc.

Clients include Society National Bank, First Wachovia Bank, Manufacturers National Bank and Sovran/Central South Bank. The firm acts as an adviser to bank collective trusts.

William F. Gardner, first vice president, is the chief investment officer; Paul A. Laughlin, president, is the client contact.

Laurentian Investment Management (Canada) Inc.

595 Bay St., 11th Floor, Toronto,
Ontario M5G 2C6; (416) 343-5355

Total assets managed	$2,600,000,000
Tax-exempt assets managed:	
Total	$1,600,000,000
Pooled accounts	$600,000,000
Separate accounts	$1,000,000,000
For subsidiaries of U.S. firms	$40,000,000
Mortgage assets	$25,000,000
Non-North American equities	$60,000,000
Minimum separate account	$5,000,000
Tax-exempt clients:	
Pooled	25
Separate	1
U.S. subsidiaries	5
Types of accounts managed	C
No. of portfolio managers	9
Size of research staff	1

Laurentian Investment Management (Canada) Inc., a Canadian firm, formerly IMPCO Investment Management Ltd., is an active equity, active fixed-income, balanced and short-term manager.

Its equity approach emphasizes a top-down/fundamentalist style, seeking value and using sector rotation.

Its fixed-income approach is top-down, based on fundamental analysis leading to an interest rate forecast. Managers use sector spread trades and trade against yield curve anomalies.

The asset mix Jan. 1 was 30% Canadian stocks, 10% U.S. stocks, 45% bonds and 15% cash.

It follows 100 stocks closely and 150, generally; 20% of research is generated internally.

Selwyn Kletz, president and chief executive officer, is the chief investment officer; Donald D. Landreville, vice president, is the client contact.

C.J. Lawrence Management

115 Broadway, New York, N.Y. 10006;
(212) 306-9485

Total assets managed	$425,000,000
Tax-exempt assets managed:	
Total	$145,000,000
Separate accounts	$145,000,000
401(k)/457 assets managed	$17,000,000
No. of 401(k)/457 plans	2
Minimum separate account	$1,500,000
Tax-exempt clients	8
Types of accounts managed	CEF
No. of portfolio managers	7
Size of research staff	24

C.J. Lawrence Management is an active equity and balanced manager.

Its equity approach emphasizes low p/e stocks. Its fixed-income approach focuses on interest rate anticipation.

The asset mix Jan. 1 was 35% equities, 40% bonds and 25% cash.

The parent company is C.J. Lawrence, Morgan Grenfell Inc.

Clients include Long Island Rail, Rutgers University and EG&G Inc.

Tara B. Flannery, director of marketing, is the client contact.

WR Lazard & Co.

14 Wall St., 18th Floor, New York,
N.Y. 10005; (212) 406-2700

Total assets managed	$1,719,000,000
Tax-exempt assets managed:	
Total	$1,708,000,000
Separate accounts	$1,708,000,000
Mortgage-backed assets	$7,000,000
Equity indexed assets	$1,000,000
Fixed-income indexed assets	$1,679,000,000
Dedicated/immunized assets	$21,000,000
Minimum separate account	$10,000,000
Tax-exempt clients	22
Types of accounts managed	CEFJG
No. of portfolio managers	4
Size of research staff	2

WR Lazard & Co. is an active and passive fixed-income, balanced and short-term manager.

Its passive equity approach is designed to reduce portfolio risk. Expected risk/return characteristics are tailored through flexibility in defining the stock or fixed-income universe against which to index. In fixed income, it also offers immunization and liability/cash flow-matched strategies.

Of the assets under management $839 million is managed by a consortium of WR Lazard and Smith Barney, Harris Upham.

The asset mix Jan. 1 was 99% bonds and 1% cash.

Clients include Avon Products, Con Edison and District of Columbia.

Frankie D. Hughes is the chief investment officer; Robert I. Spruill is the client contact.

Lazard Freres Asset Management

1 Rockefeller Plaza, New York, N.Y.
10020; (800) 228-0203

Total assets managed	$11,221,000,000
Tax-exempt assets managed:	
Total	$9,746,000,000
Separate accounts	$9,746,000,000
401(k)/457 assets managed	$85,000,000
No. of 401(k)/457 plans	5
Mortgage-backed assets	$300,000,000
International equity assets	$300,000,000
Dedicated/immunized assets	$322,000,000
Minimum separate account	$10,000,000
Tax-exempt clients	192
Types of accounts managed	CEFJG
No. of portfolio managers	21
Size of research staff	5

Lazard Freres Asset Management is an active equity, active fixed-income, balanced and active international equity manager.

In equities, it uses proprietary research to discover and validate stocks where it received more (high return on equity and assets) than it paid for (price/book value). In fixed income, it manages accounts with a total return orientation. Valuation techniques are used to restructure the coupon, sector and maturity of portfolios. Strategy is implemented through risk-reward analysis.

The asset mix Jan. 1 was 70% equities, 25% bonds and 5% cash.

The firm follows 300 stocks closely and 135, generally; 85% of the research is generated internally.

Clients include California Employees, Bakery & Confectionary Unions, GM and Barnard College.

Herbert W. Gullquist is the chief investment officer; Anthony J. Dote Jr. and Mark Hamilton, vice presidents, are the client contacts.

R.M. Leary & Co. Inc.

3300 E. First Ave., Suite 380, Denver,
Colo. 80206; (303) 320-1063

Total assets managed	$20,000,000
Tax-exempt assets managed:	
Total	$18,000,000
Separate accounts	$18,000,000
Minimum separate account	$100,000
Tax-exempt clients	90
Types of accounts managed	CEFJ
Size of research staff	2

R.M. Leary & Co. Inc. is a balanced manager.

Its approach uses market timing in an aggressive common stock fund during rising markets and defensive positions in a bond or money market fund during declining markets. In fixed income, interest rate anticipation is used. Bearish markets dictate a defensive move to money market funds that pay average competitive returns.

The asset mix Jan. 1 was 100% equities.

Kate Leary Lee is chief investment officer and client contact.

Leavy Investment Management Inc.

6151 Powers Ferry Road, Suite 590,
Atlanta, Ga. 30339; (404) 951-9314

Total assets managed	$443,000,000

Investment Advisors...

to employee benefit plans, foundations, endowments and substantial individuals.

Our basic investment philosophy — the prudent investment of assets in undervalued securities and special situations — was established a half century ago. This approach has preserved and appreciated capital over many market cycles.

David J. Greene and Company
Registered Investment Advisors

Tax-exempt assets managed	
Total	$440,000,000
Separate accounts	$440,000,000
Dedicated/immunized assets	$51,000,000
Minimum separate account	$5,000,000
Tax-exempt clients	32
Types of accounts managed	CEFJG
No. of portfolio managers	3
Size of research staff	2

Leavy Investment Management Inc. is an active equity, active fixed-income and balanced manager.

Its equity approach is value oriented and somewhat contrarian, focusing on identifying well-run, financially sound companies whose stock is temporarily depressed.

Its primary fixed-income approach emphasizes high-quality (A or better) intermediate maturities. The firm makes gradual changes in maturities in response to changes in interest rates and changes in emphasis between Treasuries, agencies and corporates.

The asset mix Jan. 1 was 48% equities, 48% bonds and 4% cash.

John M. Leavy, president, is chief investment officer; Barbara A. Reiser, executive vice president, is client contact.

Lee, Robinson & Steine Inc.

First American Center, Nashville,
Tenn. 37238; (615) 748-2893

Total assets managed	$3,500,000,000
Tax-exempt assets managed	
Total	$1,500,000,000
Pooled accounts	$150,000,000
Separate accounts	$1,350,000,000
401(k)/457 assets managed	$40,000,000
No. of 401(k)/457 plans	16
Minimum separate account	$1,000,000
Tax-exempt clients	
Pooled	75
Separate	65
Types of accounts managed	CEFJG
No. of portfolio managers	8
Size of research staff	1

Lee, Robinson & Steine Inc. is an active equity, active fixed-income, balanced, tactical asset allocation and GIC manager.

In equities, it uses sector rotation, tactical asset allocation, marketing timing and quantitative analysis. The fixed-income approach is based on interest rate anticipation.

The asset mix Jan. 1 was 55% stocks and 45% bonds.

The firm follows 175 stocks closely and 400, generally; 10% of research is generated internally.

The parent is First American Trust Co.

Clients include United Cities Gas, Tennessee Performing Arts Foundation, David Lipscomb College Endowment and Nashville and Davidson Metropolitan Government Pension.

Charles H. Robinson, chairman, is chief investment officer; Frederick Crown, president, is client contact.

Legg Mason Capital Management Inc.

111 S. Calvert St., Baltimore, Md.
21203; (301) 547-2558

Total assets managed	$450,000,000
Tax-exempt assets managed	
Total	$160,000,000
Separate accounts	$160,000,000
401(k)/457 assets managed	$5,000,000
No. of 401(k)/457 plans	4
Minimum separate account	$250,000
Tax-exempt clients	80
Types of accounts managed	CEF
No. of portfolio managers	4

Legg Mason Capital Management Inc. is an active equity, active and passive fixed-income, balanced and short-term manager.

The firm adheres to a broad, bottom-up, value-oriented equity approach that uses common stocks and convertibles to increase the consistency of returns and create more opportunities for compounding.

For fixed-income, the firm follows a relative-value approach, buying securities in market sectors that appear undervalued on a historical basis.

The asset mix Jan. 1 was 70% equities and 30% bonds.

The parent is Legg Mason Inc.

Peter A. Lareau is chief investment officer; Terrence D. Woulfe is client contact.

A look at employee stock ownership plans: Sept. 18

Lehigh Valley Bank

65 E. Elizabeth Ave., Bethlehem, Pa.
18018; (215) 861-1769

Total assets managed	$61,000,000
Tax-exempt assets managed	
Total	$26,000,000
Commingled accounts	$8,000,000
Separate accounts	$18,000,000
401(k)/457 assets managed	$8,000,000
No. of 401(k)/457 plans	5
Minimum separate account	$500,000
Tax-exempt clients	
Commingled	20
Separate	94
Types of accounts managed	CG
No. of portfolio managers	2

Lehigh Valley Bank is a balanced manager.

In equities, it focuses on low p/e stocks, generally of large-cap, well-known companies. Its fixed-income approach uses interest rate anticipation and ladders maturities.

The asset mix Jan. 1 was 25% stocks, 50% bonds and 25% cash.

The parent is Independence Bancorp Inc.

Edward A. Kramer, trust investment officer, is chief investment officer; Gertrude M. McNary, employee benefits officer, is client contact.

Lehman Management Co.

55 Water St., New York, N.Y. 10041;
(212) 668-4073

Total assets managed	$17,321,000,000
Tax-exempt assets managed	
Total	$13,079,000,000
Separate accounts	$13,079,000,000
Mortgage-backed assets	$400,000,000
International fixed-income assets	$2,000,000
Fixed-income indexed assets	$2,700,000,000
Dedicated/immunized assets	$165,000,000
Minimum separate account	$25,000,000
Tax-exempt clients	161
Types of accounts managed	CEFJG
No. of portfolio managers	21
Size of research staff	12

Lehman Management Co. Inc. is an active equity, active and passive fixed-income, balanced and special situations equity manager.

Its primary equity approach for corporate funds is to purchase growth-oriented securities that sell at reasonable prices.

For Taft-Hartley funds, the firm is contrarian and value-oriented.

Its active fixed-income approach is conservative, emphasizing high-quality intermediate securities and minimizing interest rate risk. The index products are customized, emphasizing controlled maturity movements while adding value through security selection and sector rotation.

It uses options, stock index futures and fixed-income futures.

The asset mix Jan. 1 was 36.9% equity, 49.3% bonds and 13.8% cash.

The parent is Shearson Lehman Hutton, a unit of American Express.

The chief investment officers are: Bruce Westcott, investment counseling; Lou Ganz, fixed-income group; C. Charles Hetzel, corporate pensions group; and Coleman Brandt, basic value group. H. Scott Higgins and James J. Manley are the client contacts.

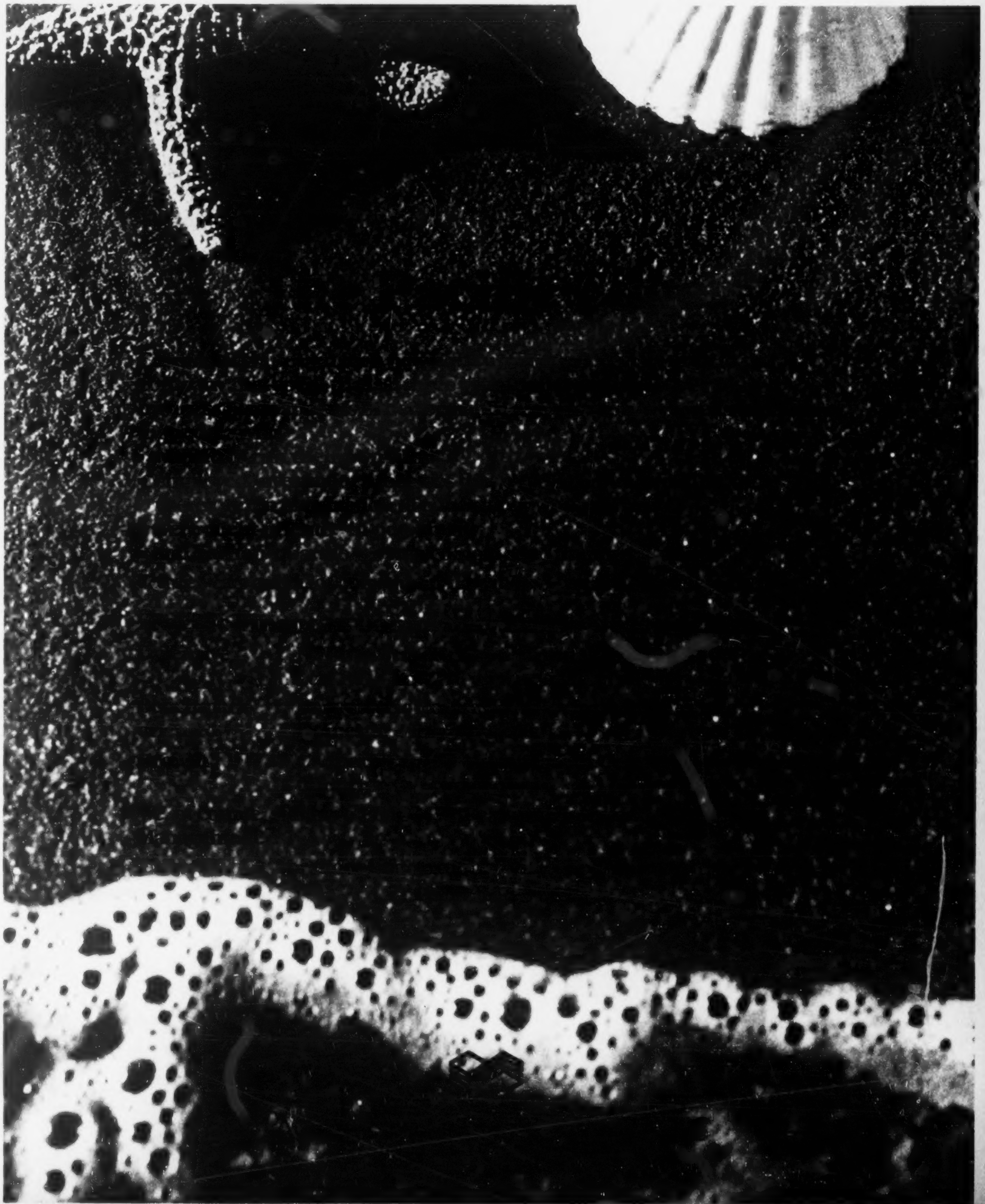
Lehndorff & Babson Real Estate Counsel

2501 Cedar Springs, Suite 550,
Dallas, Texas 75201; (214)
855-5800

Total assets managed	$3,000,000,000
Tax-exempt assets managed	
Total	$1,610,000,000
Pooled accounts	$517,000,000
Separate accounts	$1,093,000,000
Equity real estate assets	$1,610,000,000
Minimum separate account	$25,000,000
Tax-exempt clients	
Pooled	35
Separate	19
Types of accounts managed	CEFG

Lehndorff & Babson Real Estate Counsel, a real estate manager, invests in larger office and retail properties with potential for creating value through management during a five- to 15-year holding period. All assets were in equity real estate Jan. 1.

M. Thomas Lardner, chairman, is chief investment officer; G. Andrews Smith, president, is client contact.



eith Wheeler Management
30-609 Granville St., Vancouver,
British Columbia V7Y 1G5; (604)
583-3391

al assets managed	$285,000,000
-exempt assets managed	
otal	$160,000,000
eparate accounts	$160,000,000
or subsidiaries of U.S. firms	$18,000,000
imum separate account	$1,000,000
-exempt clients	18
S. subsidiaries	1
es of accounts managed	CFU
of portfolio managers	5

Leith Wheeler Management Ltd., a
nadian firm, is an active and pas-
e equity, active and passive fixed-in-
me, balanced and short-term man-
er.

ts equity approach is value-oriented
ng low p/e stocks and Graham &
dd principles. Its fixed-income ap-
oach uses interest rate anticipation
h emphasis on short- to medium-
m securities.

The asset mix Jan. 1 was 25% Ca-
dian stocks, 10% U.S. stocks, 35%
nds and 30% cash.

Murray Leith, president, is chief in-
stment officer; B.G. Scott, vice presi-
nt, is client contact.

eland O'Brien Rubinstein Associates Inc.
D. Box 71970, Los Angeles, Calif.
90071-0970; (213) 488-2700

Leland O'Brien Rubinstein Associ-
es Inc. specializes in risk control
ategies.

ts Dynamic Asset Allocation tech-
ogy is used in a variety of applica-
ns, the most well-known of which is
led portfolio insurance.

The firm declined to provide asset
ures.

Options, stock index futures, fixed-
ome futures, currency futures and
wards, and cash instruments are
ed in its strategies.

Girish V. Reddy is chief investment
cer and client contact.

e Leonard Management Group
7 W. Avon Road, Avon, Conn.
06001; (203) 673-3237

al assets managed	$25,000,000
-exempt assets managed	
otal	$9,000,000
eparate accounts	$9,000,000
imum separate account	$250,000
-exempt clients	6
es of accounts managed	CEFJG
of portfolio managers	1
e of research staff	1

Leonard Management Group is an
ive equity, active fixed-income, ba-
ced and short-term manager.

ts applies a top-down philosophy to
set allocation and a value-oriented,
ttom-up approach to security selec-
n. Portfolios are overweighted within
set groups offering highest risk-ad-
ted returns. Interest rate anticipation
used.

The asset mix Jan. 1 was 90% cash
d 10% equities.

James P. Leonard, president, is
ef investment officer and client con-
t.

shner Financial Services
tie Terminal Building, Cincinnati,
Ohio 45202; (513) 629-2000

al assets managed	$602,000,000
-exempt assets managed:	
otal	$25,000,000
eparate accounts	$25,000,000
imum separate account	$250,000
-exempt clients	25
es of accounts managed	CF
of portfolio managers	2
e of research staff	3

Leshner Financial Services Inc. is
active equity, active fixed-income
d tactical asset allocation manager.

In equities, it uses market timing/tac-
al allocation; in fixed income, it uses
erest rate anticipation.

The asset mix Jan. 1 was 25% equi-
s and 75% cash.

The firm follows 25 stocks closely
d 5,000, generally.

The parent is Leshner Financial Inc.

Robert H. Leshner, president, is
ief investment officer; Patricia A. Breman, Greylyn Financial Corp., is client contact at (203) 972-1292.

Lexington Management
Park 80 West Plaza II, Saddle Brook,
N.J. 07662; (201) 845-7300

Total assets managed	$2,494,000,000
Tax-exempt assets managed:	
Total	$779,000,000
Separate accounts	$779,000,000
401(k)/457 assets managed	$41,000,000
No. of 401(k)/457 plans	26
International equity assets	$25,000,000
Minimum separate account	$5,000,000
Tax-exempt clients	48
Types of accounts managed	CEFJG
No. of portfolio managers	7
Size of research staff	11

Lexington Management Corp. is an active and passive equity, active fixed-income, balanced, global and short-term manager.

Its equity approach stresses relative value analysis. Seeking to preserve capital and earn a real rate of return, the firm will increase or decrease equity exposure based upon an analysis of risk factors in the investment environment. Its fixed-income approach uses interest rate anticipation and duration to manage portfolios; its neutral position is very defensive. Options are used.

The asset mix Jan. 1 was 58% equities, 34% bonds and 8% cash.

The parent is Piedmont Management.

William S. Stack is chief investment officer; Joseph Barcic Jr., chief operating officer, is client contact.

Leylegian Investment Management Inc.
855 Oak Grove Ave., Suite 200, Menlo
Park, Calif. 94025; (415) 325-1055

Total assets managed	$275,000,000
Tax-exempt assets managed:	
Total	$275,000,000
Separate accounts	$275,000,000
Minimum separate account	$10,000,000
Tax-exempt clients	17
Types of accounts managed	CJ
No. of portfolio managers	3

Leylegian Investment Inc. is an active equity and balanced manager.

Its equity approach uses growth and low p/e stocks and sector rotation techniques. It uses a global top-down economic overview with heavy industry emphasis and follows a sell discipline.

Its fixed-income approach uses interest rate anticipation.

The asset mix Jan. 1 was 100% equities.

The firm follows 35 stocks closely and 150, generally; 90% of research is generated internally.

Jack H. Leylegian II, president, is chief investment officer; Dorothy P. Leylegian, vice president, is client contact.

Liberty National Bank and Trust Co.
P.O. Box 32500, Louisville, Ky. 40232;
(502) 566-2098

Total assets managed	$2,010,000,000
Tax-exempt assets managed:	
Total	$1,096,000,000
Commingled accounts	$185,000,000
Separate accounts	$911,000,000
401(k)/457 assets managed	$29,000,000
No. of 401(k)/457 plans	31
Mortgage-backed assets	$164,000,000
Dedicated/immunized assets	$10,000,000
Minimum separate equity account	$1,000,000
Minimum separate bond account	$2,000,000
Tax-exempt clients:	
Commingled	452
Separate	401
Types of accounts managed	CEFG
No. of portfolio managers	10
Size of research staff	1

Liberty National Bank and Trust Co. is an active equity, active and passive fixed-income, balanced and short-term manager.

Its equity approach uses market timing and is value-oriented, defined generally by high yield, low p/e, low beta, absolute price to book, earnings predictability and a willingness to switch investment focus.

Its fixed-income approach seeks below-average risk, but portfolios are fully managed to reflect changing risk-reward ratios.

The asset mix Jan. 1 was 30% stocks, 35% bonds, 20% cash and 15% mortgage-backed securities.

Clients include Blue Cross and Blue Shield of Kentucky, Kentucky Baptist Foundation and CSX.

The parent is Liberty National Bancorp Inc.

Robert C. Gray, senior vice president, is chief investment officer; Madison C. McCarty, trust officer, is client contact.

Lieber & Co.
550 Mamaroneck Ave., Harrison, N.Y.
10528; (914) 698-5711

Total assets managed	$3,227,000,000
Tax-exempt assets managed:	
Total	$834,000,000
Separate accounts	$834,000,000
Minimum separate account	$5,000,000
Tax-exempt clients	37
Types of accounts managed	CFG
No. of portfolio managers	4
Size of research staff	12

Lieber & Co. is an active equity, active fixed-income, balanced, active international equity and short-term manager.

The firm emphasizes growth, emerging growth and low p/e stocks. It is fundamentally research-oriented, concentrating on income or undervalued issues.

The asset mix Jan. 1 was 87% equities, 2% bonds and 11% cash.

The firm follows 300 stocks closely and 500, generally; all research is generated internally.

Clients include Texas Instruments, Hershey Foods, J.C. Penney and Minnesota State Board.

Stephen A. Lieber, senior partner, is chief investment officer; Nola M. Falcone, general partner, is client contact.

Lieberman Cos.
199 Middle Neck Road, Great Neck,
N.Y. 11021; (516) 466-6565

Total assets managed	$300,000,000
Tax-exempt assets managed:	
Total	$120,000,000
Separate accounts	$120,000,000
Equity real estate assets	$96,000,000
Mortgage assets	$24,000,000
Minimum separate account	$500,000
Tax-exempt clients	10
Types of accounts managed	C
No. of portfolio managers	2

Lieberman Cos., a real estate manager, bases investments on current income plus capital appreciation.

The asset mix Jan. 1 was 80% equity real estate and 20% mortgages.

Bruce R. Lieberman, president, is chief investment officer and client contact.

Life Insurance Co. of Georgia
P.O. Box 105006, Atlanta, Ga.
30348-5006; (404) 980-5100

Total assets managed	$1,800,000,000
Total discretionary assets	$1,500,000,000
Tax-exempt assets managed:	
Total	$400,000,000
Pooled accounts	$37,000,000
GICs	$120,000,000
Annuities	$60,000,000
Other	$183,000,000
401(k)/457 assets managed	$120,000,000
No. of 401(k)/457 plans	95
Minimum separate account	$1,000,000
Tax-exempt clients:	
Pooled	3
Types of accounts managed	CG
No. of portfolio managers	4
Size of research staff	3

Life Insurance Co. of Georgia is an active equity, active fixed-income and real estate manager.

Its equity approach uses quantitative and low p/e methods. Equities with good fundamentals and improving prospects are combined in a portfolio that optimizes return while controlling tracking error. Its fixed-income approach employs sector analysis. Instruments with good option adjusted spreads and low event risk are used. Options are used.

Its real estate approach emphasizes a diversified mix of institutional-size, general-purpose income-producing properties with leasing and loan maturity characteristics matching those of incurred liabilities.

The separate account asset mix Jan. 1 was 100% equities.

The parent is Georgia US Corp.

E.J. Yelton is chief investment officer; Roger Beebe and Harold Beale are client contacts.

Lincoln Capital Management
200 S. Wacker Drive, Chicago, Ill.
60606; (312) 559-2880

Total assets managed	$10,180,000,000
Tax-exempt assets managed:	
Total	$9,987,000,000
Separate accounts	$9,987,000,000
Fixed-income indexed assets	$2,817,000,000
Dedicated/immunized assets	$940,000,000
Minimum separate account	$50,000,000
Tax-exempt clients	68
Types of accounts managed	CEFJG
No. of portfolio managers	10

Lincoln Capital Management is an active equity, active and passive fixed-income and balanced manager.

Its equity approach emphasizes growth stocks. Its active fixed-income approach provides an assured minimum return; interest rate anticipation is employed. Enhanced and passive index management are offered.

The asset mix Jan. 1 was 30% equities and 70% bonds.

The firm follows 75 stocks closely and 300, generally; 75% of research is generated internally.

Clients include AT&T, State of Virginia and Ameritech.

J. Parker Hall III is chief investment officer and client contact.

Lincoln National Investment Management
1300 S. Clinton St., Fort Wayne, Ind.
46801; (219) 427-4740

Total assets managed	$14,685,000,000
Tax-exempt assets managed:	
Total	$7,098,000,000
Pooled accounts	$7,098,000,000
401(k)/457 assets managed	$755,000,000
No. of 401(k)/457 plans	1,990
Real estate equity assets	$14,000,000
Mortgage assets	$1,633,000,000
Minimum separate account	$5,000,000
Tax-exempt clients	3,500
Types of accounts managed	CG
No. of portfolio managers	9
Size of research staff	13

Lincoln National Investment Management employs a multimanager approach to provide equity, fixed-income, balanced, international, guaranteed and dedicated bonds/annuities management.

Five equity funds are offered, using quantitative analysis and growth and emerging growth stocks.

Its fixed-income approach is driven by interest rate anticipation. Four different maturity components are maintained and returns are maximized by shifting maturities in only one of the components, emphasizing value sectors and swapping issues to take advantage of spreads.

Options and financial futures are used.

In addition to the assets above, $948 million in tax-exempt assets is managed on the firm's behalf by external managers. MPT Associates, a wholly owned subsidiary, manages $190 million of the $948 million.

The asset mix at Jan. 1 was 57% bonds; 6% cash; 0.2% equity real estate; 23% mortgages; and 13.8% other.

The parent is Lincoln National Corp.

Robert Crispin, executive vice president, is chief investment officer; Bill L. Sanders, vice president, is client contact.

Lingo Capital Management
3200 West End Ave., Suite 405,
Nashville, Tenn. 37203; (615)
292-9546

Total assets managed	$8,000,000
Tax-exempt assets managed:	
Total	$1,000,000
Separate accounts	$1,000,000
Minimum separate account	$250,000
Tax-exempt clients	2
Types of accounts managed	CJ
No. of portfolio managers	1

Lingo Capital Management is an active equity and balanced manager.

In equities, it uses a quantitative approach to selecting large-cap NYSE stocks that meet stringent value and safety criteria.

Its fixed-income approach uses a statistical model to anticipate interest rate trends. Investments are selected only when rates are stable or declining.

Canadian investment managers

Firm	U.S. $ mils.*
Jarislowsky, Fraser	6,900
AMI Asset	5,156
Gryphon Investment	4,953
Corporate Investment	4,082
Sceptre Investment	4,056
Mu-Cana Investment	3,562
Phillips Hager & North	2,747
T.A.L. Investment	2,600
Manufacturers Life	2,484
BGH Central Investment	2,300
Knight, Bain, Seath	2,283
CT Investment	2,066
Sun Life/Canada	1,947
Nat'l Trust	1,601
Laurentian Investment	1,600
E.J. McConnell	1,533
Metropolitan Trust/Canada	1,490
Bolton Tremblay	1,461
MT Associates	1,360
Morguard Investments	1,150
Montrusco Associates	1,054
ManuLife Investment	1,006
Elliot & Page Investment	800
Trafalgar Capital	706
Laketon Investment	700
Yield Mgmt.	600
Guardian Capital	549
Aetna Capital	480
Prudential Assurance	430
Canagex Investments	370
Hodgson Roberton Laing	328
Investors Group Trust	297
Kingwest	270
Foyston, Gordon & Payne	265
La Sauvegarde	204
Batterymarch/Canada	190
Leith Wheeler	160
Pembroke	155
Mawer & Associates	151
Edgecombe Group	130
Elliott & Page Atlantic	130
Int'l Trust	117
Horgan Tattersall	30
Merritt Easton Rae	20
Guardian Timing Services	10
TOTAL	64,483

* discretionary, tax-exempt assets

All assets Jan. 1 were cash.

The firm follows 100 stocks closely and 1,500, generally; all research is generated internally.

Kenneth H. Lingo, president, is chief investment officer and client contact.

Lipman, Carasso & Young
1880 Century Park East, Suite 1511,
Los Angeles, Calif. 90064; (213)
282-0300

Total assets managed	$212,000,000
Tax-exempt assets managed:	
Total	$45,000,000
Separate accounts	$45,000,000
Minimum separate account	$500,000
Tax-exempt clients	99
Types of accounts managed	CEF
No. of portfolio managers	3

Lipman, Carasso & Young Inc. is an active equity, active fixed-income and balanced manager.

Its equity approach focuses on growth stocks with low p/es and strong balance sheets. Its fixed-income approach employs short- to intermediate-term maturity, high-quality issues with changes depending on interest rate trends.

The firm follows 50 stocks closely and 200, generally; 20% of research is generated internally.

Clients include ERLY Industries and Tucson Surgical Profit Sharing Trust.

Pierre Carasso, executive vice president, is chief investment officer; Stanley Heller, director of business development is client contact.

Liquidity Fund Investment
1900 Powell St., Emeryville, Calif.
94608; (415) 652-1462

Total assets managed	$125,000,000
Tax-exempt assets managed:	
Total	$40,000,000
Pooled accounts	$35,000,000
Separate accounts	$5,000,000
Minimum separate account	$5,000,000
Tax-exempt clients:	
Pooled	99

Separate	1
Types of accounts managed	CE
No. of portfolio managers	2
Size of research staff	13

Liquidity Fund Investment Corp. manages portfolios of real estate securities that are purchased below net asset value. Securities include traded real estate equities and liquid real estate limited partnerships.

The parent is Liquidity Financial Group.

Sean Subas, executive vice president, is chief investment officer; Richard Wollack, chairman, and Brent Donaldson, president, are client contacts.

Loeb Partners Realty

521 Fifth Ave., New York, N.Y. 10175;
(212) 883-0371

Total assets managed	$700,000,000
Tax-exempt assets managed	
Total	$175,000,000
Separate accounts	$175,000,000
Equity real estate assets	$175,000,000
Minimum separate account	$5,000,000
Tax-exempt clients	2
Types of accounts managed	CJ
Size of research staff	2

Loeb Partners Realty, an equity real estate manager, invests in existing, income-producing properties structured to the needs and requirements of investors.

All tax-exempt assets were in equity real estate Jan. 1.

The parent is Loeb Holding Corp.

Joseph S. Lesser, president, is chief investment officer; Gary L. Naughton, vice president, is client contact.

Lomas Advisors Inc.

2001 Bryan Tower, Suite 3300, Dallas,
Texas 75201; (214) 746-8207

Total assets managed	$962,000,000
Tax-exempt assets managed	
Total	$962,000,000
Pooled accounts	$43,000,000
Separate accounts	$919,000,000
Equity real estate assets	$798,000,000
Mortgage assets	$164,000,000
Minimum separate account	$25,000,000
Tax-exempt clients	
Pooled	40
Separate	2
Types of accounts managed	CEFG
No. of portfolio managers	10
Size of research staff	8

Lomas Advisors Inc., formerly Lomas & Nettleton Advisory Group, is a real estate manager.

Its approach is driven by a top-down, intense research discipline that resists the property reaction mentality. Its scope and depth provide expertise as to both core and specialty real estate, structured as straight equity or hybrid debt.

The asset mix Jan. 1 was 83% equity real estate and 17% mortgages.

The parent is Lomas Financial Corp.

Clients include Massachusetts PRIM, Cornell University, Stanford University and Warner Lambert.

David A. Ridley, president, is chief investment officer; Webb Sowden Jr., executive vice president, is client contact.

Lomas Capital Management

2001 Bryan Tower, P.O. Box 655644,
Dallas, Texas 75265; (214)
746-7425

Total assets managed	$195,000,000
Tax-exempt assets managed:	
Total	$27,000,000
Separate accounts	$27,000,000
Minimum separate account	$3,000,000
Tax-exempt clients	3
Types of accounts managed	CE
No. of portfolio managers	3
Size of research staff	2

Lomas Capital Management Co. is an active equity, active fixed-income and balanced manager.

Its value-oriented, disciplined and long-term equity approach identifies companies with fundamentals representing underpriced value. Its fixed-income approach is adjusted and monitored based on quality, maturity, duration, market spreads and interest rate variables.

The asset mix Jan. 1 was 40% equities, 40% bonds and 20% cash.

The parent is Lomas Financial Group.

Clark R. Manning, president, is chief investment officer; Larry J. Byars, vice president-marketing, is client contact.

Lombard Odier Holdings U.K. Ltd.

Norfolk House, 13 Southampton
Place, London, WC1A 2AJ, U.K.;
01-831-2350

Total assets managed	$3,500,000,000
Tax-exempt assets managed	
Total	$248,000,000
Separate accounts	$248,000,000
International equity assets	$99,000,000
International bond assets	$149,000,000
Minimum separate account	$10,000,000
Tax-exempt clients	4
Types of accounts managed	CF

Lombard Odier Holdings U.K. Ltd. is the holding company for Lombard Odier International Portfolio Management Ltd. and Lombard Odier Investment Management Services Ltd. Both firms manage global/international equities and fixed income.

The firm uses a macroeconomic approach to regional asset allocation. Portfolio managers/analysts implement the equity allocation within their geographic region. Interest rate anticipation is used in fixed income. Currency hedging, if applicable, is used. Options and fixed-income futures also are used.

The asset mix Jan. 1 was 40% equities and 60% bonds.

The parent is Lombard, Odier & Cie, Geneva.

Robert van Maasdijk is chief investment officer; Karin Bonding is client contact.

Longfellow Investment Management Co.

160 Federal St., Boston, Mass. 02110;
(617) 439-3080

Total assets managed	$93,000,000
Tax-exempt assets managed:	
Total	$69,000,000
Separate accounts	$69,000,000
Mortgage-backed assets	$14,000,000
Minimum separate account	$2,000,000
Tax-exempt clients	12
Types of accounts managed	CEJ
No. of portfolio managers	2
Size of research staff	1

Longfellow Investment Management Co. is an active fixed-income and short-term manager.

Its fixed-income approach is based on short duration management. Portfolio average duration ranges from two to three years to limit interest rate risk. Value is added through sector/security selection.

The asset mix Jan. 1 was 25% bonds, 5% cash, 20% mortgage-backed securities, 25% floating rate securities and 25% asset-backed securities.

John Ciarleglio III and David W. Seeley, principals, are chief investment officers and client contacts.

Loomis, Sayles & Co. Inc.

1 Financial Center, Boston, Mass.
02111; (617) 482-2450

Total assets managed	$24,449,000,000
Tax-exempt assets managed	$19,575,000,000
Minimum separate account	$1,000,000
Tax-exempt clients	590
Types of accounts managed	CEFJG
No. of portfolio managers	56
Size of research staff	28

Loomis, Sayles & Co. Inc. is an active equity and active fixed-income manager.

Its equity and fixed-income approaches are decentralized in regional offices, resulting in a broad range of investment styles. Options are used.

The asset mix Jan. 1 was 39% equities, 56% bonds and 5% cash.

The New England owns 66% of the company.

Clients include H.F. Ahmanson, Boise Cascade, Bristol Myers and Interco.

Robert L. Kemp, president and chief financial officer, is chief investment officer; Dugal Thomas, vice president and director of marketing, is client contact.

Employee stock ownership plans will be highlighted Sept. 18.

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- Are you a corporation
  - ☐ with a company-sponsored credit union or foundation?
  - ☐ prefunding your post-retirement health care liability?
  - ☐ self-funding your casualty lines?
  - ☐ with a 501(c)(9) trust for your group benefits?
  - ☐ with a domestic captive insurance company?
  - ☐ with funded deferred compensation plans?
- A utility with a nuclear decommissioning fund?
- A Taft-Hartley plan with a vacation or health benefit fund?

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PACIFIC FINANCIAL COMPANIES

Lord, Abbett & Co.
767 Fifth Ave., New York, N.Y. 10153;
(212) 848-1800

Total assets managed	$9,437,000,000
Tax-exempt assets managed	
Total	$3,161,000,000
Separate accounts	$3,161,000,000
Minimum separate equity account	$25,000,000
Minimum separate bond account	$10,000,000
Tax-exempt clients	28
Types of accounts managed	CEJG
No. of portfolio managers	11
Size of research staff	12

Lord, Abbett & Co. is an active equity, active fixed-income, balanced, active international, short-term, high-yield and convertible securities manager.

Its equity approach emphasizes low p/e ratios, dividends and net asset value of issues relative to corresponding ratios for the S&P 500.

Its fixed-income approach focuses on non-traditional management with emphasis on lower-rated and convertible issues.

The asset mix Jan. 1 was 91% equities, 3% bonds and 6% cash.

The firm follows 250 stocks closely and 350, generally; 90% of research is generated internally.

Clients include AT&T, Pan Am and Yale University.

John M. McCarthy is chief investment officer; Marilyn Fee White is client contact.

Lotsoff Capital Management
20 N. Wacker Drive, Chicago, Ill.
60606; (312) 368-1442

Total assets managed	$979,000,000
Tax-exempt assets managed	
Total	$317,000,000
Separate accounts	$317,000,000
Mortgage assets	$63,000,000
Mortgage-backed assets	$50,000,000
Minimum separate account	$5,000,000
Tax-exempt clients	14
Types of accounts managed	CEFG
No. of portfolio managers	4
Size of research staff	3

Lotsoff Capital Management, an active fixed-income and short-term manager, uses a structured, disciplined investment approach that stresses control and management of interest rate risk. Primary goals are consistent returns and conservation of capital. Options and fixed-income futures are used.

The asset mix Jan. 1 was 60% bonds, 20% mortgages and 20% futures/options.

The firm generates 50% of research internally.

Seymour N. Lotsoff is chief investment officer; L. John Achenbach, chief operating officer and managing director, and Karen Zelden, vice president, are client contacts.

Lowe, Brockenbrough, Tierney & Tattersall
6630 W. Broad St., Suite 102,
Richmond, Va. 23230; (804)
288-0404

Total assets managed	$2,557,000,000
Tax-exempt assets managed	
Total	$2,265,000,000
Separate accounts	$2,265,000,000
Mortgage-backed assets	$400,000,000
Minimum separate account	$10,000,000
Tax-exempt clients	103
Types of accounts managed	CEFJG
No. of portfolio managers	13
Size of research staff	3

Lowe, Brockenbrough, Tierney & Tattersall is an active equity, active fixed-income, balanced and short-term manager.

Its equity approach uses industry concentration to add value and focuses on stocks with above-average risk to maximize returns while preserving capital. Sector rotation is used.

In fixed income, it emphasizes sector and maturity selection.

The asset mix Jan. 1 was 30% equities, 38% bonds, 15% cash and 17% mortgage-backed securities.

The firm follows 200 stocks closely and 1,000, generally; 25% of research is generated internally.

Clients include American Cancer Society, Teamsters Joint Council No. 83, Arizona Public Service and University of Michigan.

Thomas Tierney and Fred Tattersall are chief investment officers; Charles C. Field, vice president and director of marketing, is client contact.

LVM Capital Management
333 Turwill Lane, Kalamazoo, Mich.
49007; (616) 385-2036

Total assets managed	$200,000,000
Tax-exempt assets managed	
Total	$98,000,000
Separate accounts	$98,000,000
401(k)/457 assets managed	$10,000,000
No. of 401(k)/457 plans	1
Minimum separate account	$3,000,000
Tax-exempt clients	6
Types of accounts managed	CEF
No. of portfolio managers	3

LVM Capital Management Ltd. is an active equity, active fixed-income and balanced manager.

Its equity approach uses quantitative analysis and focuses on low p/e stocks. Value is added by selecting stocks with above-average profitability and improving earnings trends.

Fixed-income management is used to provide income and principal stability. Very limited duration shifts and sector swaps add value over the benchmark or index portfolio.

The asset mix Jan. 1 was 30% equities, 60% bonds and 10% cash.

J. Russell Leonard, managing director, is chief investment officer; Peter S. Rice is client contact.

Lynch & Mayer Inc.
650 Fifth Ave., New York, N.Y. 10019;
(212) 246-7760

Total assets managed	$979,000,000
Tax-exempt assets managed	
Total	$457,000,000
Pooled accounts	$47,000,000
Separate accounts	$410,000,000
Minimum separate account	$5,000,000
Tax-exempt clients	
Pooled	1
Separate	13
Types of accounts managed	CEF
No. of portfolio managers	6
Size of research staff	1

Lynch & Mayer Inc., an active equity manager, stresses growth stocks. Stock selection focuses on companies with a positive fundamental change and with a potential for a 50% stock price appreciation over an 18-month time horizon. Convertible securities also are used.

The asset mix Jan. 1 was 85% stocks and 15% cash.

The firm follows 200 stocks closely and 650, generally; 70% of research is generated internally.

The parent is Lincoln National Corp.

Clients include Morton Thiokol, J.P. Stevens, Combustion Engineering and University of North Carolina.

Dennis P. Lynch, president, is chief investment officer and client contact.

M

MacFarlane Realty Advisors
1617 JFK Blvd., 13th Floor,
Philadelphia, Pa. 18103; (215)
665-1010

Total assets managed	$0
Minimum separate account	$10,000,000
No. of portfolio managers	2

MacFarlane Realty Advisors Inc., a realty manager, follows a disciplined, top-down research-oriented approach. The firm concentrates on institutional-quality properties ranging from $10 million to $40 million.

Victor B. MacFarlane is chief investment officer; John T. Pfannenstein, senior principal, is client contact.

MacKay-Shields Financial
9 W. 57th St., New York, N.Y. 10019;
(212) 758-5400

Total assets managed	$4,900,000,000
Tax-exempt assets managed:	
Total	$3,900,000,000
Pooled accounts	$500,000,000
Separate accounts	$3,400,000,000
Mortgage-backed assets	$273,000,000
Fixed-income indexed assets	$65,000,000
Tax-exempt clients:	
Pooled	1
Separate	57
Types of accounts managed	CEFJG
No. of portfolio managers	9
Size of research staff	3

McKay-Shields Financial Corp. is an active equity, active and passive fixed-income, balanced, short-term and convertible bond manager.

It offers two equity approaches: active growth emphasizes relative valuation and earnings and price momentum models; active value uses quantitative screens to identify low p/e stocks meeting specific operating and financial criteria.

Its primary fixed-income approach is disciplined and risk-controlled, using sector analysis and moderate duration adjustments. Enhanced index fund management is offered.

The asset mix Jan. 1 was 25% equities, 54% bonds, 7% mortgage-backed securities and 14% convertibles.

The parent is New York Life Insurance Co.

Clients include Amherst College, Xerox, GM and City of Memphis.

Christina Seix, chairman and chief executive officer, is chief investment officer; Krista M. Woodall is client contact.

Madison Investment Advisors
6411 Mineral Point Road, Madison,
Wis. 53705; (608) 274-0300

Total assets managed	$220,000,000
Tax-exempt assets managed	
Total	$160,000,000
Separate accounts	$160,000,000
401(k)/457 assets managed	$5,000,000
No. of 401(k)/457 plans	2
Minimum separate account	$1,000,000
Tax-exempt clients	52
Types of accounts managed	CEFJG
No. of portfolio managers	3

Madison Investment Advisors is an active equity, active fixed-income, balanced and short-term manager.

Its equity approach begins with setting the degree of exposure to the equity market. Individual issues are selected based on relative value, fundamentals and technical outlook.

Its fixed-income approach uses interest rate forecasting to adjust maturities with a weighted maturity of not more than 10 years. Yield spreads are analyzed to generate incremental returns.

The asset mix Jan. 1 was 25% equity, 50% bonds and 25% cash.

Frank E. Burgess, president, is chief investment officer; Michael J. Schlageter, vice president, is client contact.

Magten Asset Management
35 E. 21st St., New York, N.Y. 10010;
(212) 529-6600

Total assets managed	$623,000,000
Tax-exempt assets managed:	
Total	$258,000,000
Separate accounts	$258,000,000
Minimum separate account	$10,000,000
Tax-exempt clients	9
Types of accounts managed	CEFG
No. of portfolio managers	3
Size of research staff	3

Magten Asset Management is an active fixed-income manager investing in diversified portfolios of high-yield securities of issuers in weak financial condition or experiencing poor operating results, with special emphasis on bankruptcies and turnaround situations.

These investments include companies with substantial capital needs or negative net worth that are cyclically depressed or downgraded by the rating services.

The asset mix Jan. 1 was 15% equities, 77% bonds and 8% cash.

Clients include GM, Los Angeles Fire & Police, Western Union and Niagara Mohawk Power.

Talton R. Embry, managing director, is chief investment officer; Barbara Justiz, managing director, is client contact.

Management Asset Corp.
253 Post Road W., P.O. Box 5006,
Westport, Conn. 06881; (203)
226-4768

Total assets managed	$520,000,000
Tax-exempt assets managed:	
Total	$472,000,000
Separate accounts	$472,000,000
Minimum separate account	$10,000,000
Tax-exempt clients	15
Types of accounts managed	CEFJG
No. of portfolio managers	5
Size of research staff	2

Management Asset Corp., an active equity manager, uses a bottom-up stock picker approach with emphasis on sound financial condition, low price in relation to historical earnings and broad diversification. Its investment discipline is to be fully invested in stocks when it sees value.

The asset mix Jan. 1 was 53% equity and 47% cash.

The firm follows between 200 and 300 stocks closely and 7,000, generally; all research is generated internally.

Clients include Xerox, 3M, Combustion Engineering and Texas Utilities.

Leonard M. Heine Jr., chairman, is chief investment officer; David A. Tillson, vice president, is client contact.

Manning & Napier Advisors
1 East Ave., Rochester, N.Y. 14604;
(716) 325-6880

Total assets managed	$2,700,000,000
Tax-exempt assets managed	
Total	$2,400,000,000
Separate accounts	$2,400,000,000
Minimum separate account	$500,000
Types of accounts managed	CEFJG
Size of research staff	13

Manning & Napier Advisors Inc. is an active equity, active and passive fixed-income and balanced manager.

It uses a value-based approach that employs stocks, bonds and cash according to prevailing market conditions to manage risk and meet client objectives.

Its equity approach is based on specific, established selection strategies. Fixed-income securities are used as a valuation hurdle for equity selection, and this approach is based, in part, on interest rate anticipation.

All research is generated internally.

William Manning, president, is chief investment officer; William J. Napier, senior vice president, is client contact.

The Manufacturers Life Insurance Co.
200 Bloor St. E., Toronto, Ontario
M4W 1E5; (416) 926-6148

Total assets managed	$21,900,000,000
Tax-exempt assets managed	
Total	$2,484,000,000
Pooled accounts	$2,445,000,000
Separate accounts	$39,000,000
For subsidiaries of U.S. firms	$2,484,000,000
Mortgage assets	$472,000,000
Mortgage-backed assets	$75,000,000
Minimum separate account	$25,000,000
Tax-exempt clients	
Pooled	5,267
Separate	1
U.S. subsidiaries	5,268
Types of accounts managed	CGU
No. of portfolio managers	6
Size of research staff	7

The Manufacturers Life Insurance Co., a Canadian firm, is an active equity, active fixed income, active international/global equity and fixed-income and short-term manager.

Using a bottom-up approach, its equity strategy is to identify companies with earnings growth rates greater than average and not reflected in market valuation.

Its primary fixed-income approach is based on interest rate anticipation, using fiscal and monetary macroeconomic analyses and flow of funds and yield curve analyses.

The figures above are for U.S. domiciled companies only. Canadian pension fund assets are managed by a subsidiary, Manulife Investment Management Corp.

The asset mix Jan. 1 was 18% U.S. stocks, 53% bonds, 7% cash, 19% mortgages and 3% mortgage-backed securities.

George Neal, executive vice president-investments, is chief investment officer; Cindy Forbes, assistant vice president-U.S. group and pension division, is client contact.

The topic of fixed-income investing will be highlighted in the Aug. 7 issue of *Pensions & Investment Age*.

Manufacturers National Bank of Detroit
100 Renaissance Tower, Eighth Floor,
Detroit, Mich. 48243; (313)
222-9794

Total assets managed	$11,671,000,000
Tax-exempt assets managed	
Total	$5,134,000,000
Commingled accounts	$2,964,000,000
Separate accounts	$2,170,000,000
401(k)/457 assets managed	$909,000,000
No. of 401(k)/457 plans	350
Real estate equity assets	$22,000,000
Equity indexed assets	$3,423,000,000
Fixed-income indexed assets	$11,000,000
Minimum separate account	$3,000,000
Tax-exempt clients	
Commingled	2,294
Separate	90
Types of accounts managed	CEFGJ
No. of portfolio managers	10
Size of research staff	7

Manufacturers National Bank of Detroit is an active and passive equity, active fixed-income, balanced, real estate and passive international/global fixed-income manager.

Its primary equity approach emphasizes consistent growth with reasonable valuation. Its primary fixed-income approach emphasizes interest rate anticipation and sector analysis. Stock index futures are used in index funds.

For real estate, it uses REITs and private deals.

The asset mix Jan. 1 was 39.8% stocks, 45.6% bonds and 14.6% cash.

The parent is Manufacturers National Corp.

Clinton P. Schloop, senior vice president and investment officer, is chief investment officer; James M. Dawson, second vice president, is client contact.

ManuLife Investment Management Corp.
250 Bloor St. E., Suite 100, Toronto,
Ontario M4W 1E5; (416) 926-5550

Total assets managed	$1,006,000,000
Tax-exempt assets managed	
Total	$1,006,000,000
Pooled accounts	$707,000,000
Separate accounts	$299,000,000
For subsidiaries of U.S. firms	$84,000,000
Mortgage assets	$40,000,000
Minimum separate account	$8,400,000
Tax-exempt clients	
Pooled	205
Separate	9
U.S. subsidiaries	10
Types of accounts managed	CEFGU
No. of portfolio managers	7

ManuLife Investment Management Corp., a Canadian firm, is an active equity, active fixed-income, balanced, active international/global equity and short-term manager.

In equities, its primary emphasis is on market timing. Following the market decision, a combination fundamental/technical approach is used in selecting sectors and individual securities.

Its fixed-income approach uses: interest rate anticipation; continuous active management; high-quality, liquid credits; and a view of capital appreciation and anticipation.

The parent is The Manufacturers Life Insurance Co.

George E. Neal, executive vice president-investments, is chief investment officer; William C. Mullet, senior account manager-investment services, is client contact.

Marathon Asset Management Co. Inc.
P.O. Box 9117, 1250 Prospect St.,
Suite 300, La Jolla, Calif. 92038;
(619) 456-8033

Total assets managed	$122,000,000
Tax-exempt assets managed:	
Total	$121,000,000
Pooled accounts	$3,000,000
Separate accounts	$118,000,000
Minimum separate account	$1,000,000
Tax-exempt clients:	
Pooled	8
Separate	26
Types of accounts managed	CEF
No. of portfolio managers	2

Marathon Asset Management Co. Inc. is an active equity, active fixed-income and balanced manager.

Its primary equity approach is quantitative, value-oriented and risk averse, focusing on stocks with strong earnings momentum and low p/e. There are strict loss-control disciplines. Its fixed-income approach is quantitative, contrarian and risk averse, using high-grade securities to take advantage of disparities in the yield curve.

The asset mix Jan. 1 was 37.5% equity and 62.5% cash.

Thomas J. Feeney, president, is chief investment officer; Kathleen A. Feeney, director of client service, is client contact.

Marathon Investment Management

220 Boylston St., Chestnut Hill, Mass. 02167; (617) 527-7500

Total assets managed	$225,000,000
Tax-exempt assets managed	$180,000,000
Types of accounts managed	CEFJG

Marathon Investment Management is an active equity, active fixed-income, tactical asset allocation and balanced manager.

In equity investing it follows a core-specialty approach, focusing on the activity of NYSE specialists. Its primary fixed-income approach uses input from data on interest rate sensitive securities from specialist activity analysis.

U.S. tax-exempt clients include Corning Glass Works, GNN, TBG Holdings and Echlin.

Mark H. Bourne, director of research, is chief investment officer and client contact.

Marine Bank

901 State St., Erie, Pa. 16501; (814) 871-9200

Total assets managed	$875,000,000
Tax-exempt assets managed	
Total	$275,000,000
Pooled accounts	$145,000,000
Separate accounts	$130,000,000
401(k)/457 assets managed	$22,000,000
No. of 401(k)/457 plans	20
Mortgage-backed assets	$20,000,000
International equity assets	$2,000,000
Minimum separate account	$1,000,000
Tax-exempt clients	
Pooled	230
Separate	70
Types of accounts managed	CEFJG
No. of portfolio managers	5

Marine Bank is an active and passive equity, active and passive fixed-income, balanced, active international equity, short-term and restricted funds manager.

Its primary equity approach is value-oriented, emphasizing low p/e stocks. Equity purchase candidates are from the fourth and fifth quintile.

Its primary fixed-income approach uses sector analysis; movement between various sectors is based on relative yield spreads.

The asset mix Jan. 1 was 35% stocks, 53% bonds, 5% cash and 7% mortgage-backed securities.

The parent is PNC Financial.

Wayne M. Koble, vice president-manager of trust investments, is chief investment officer; John W. Masterson, vice president-manager of employee benefits, and Timothy N. Smyth, vice president-manager of personal trust, are client contacts.

Marine Investment Management Co.

3 S. Old State Capitol Plaza, Suite 300, Springfield, Ill. 62701; (217) 753-0300

Total assets managed	$684,000,000
Tax-exempt assets managed	
Total	$543,000,000
Separate accounts	$543,000,000
Mortgage-backed assets	$60,000,000
Minimum separate account	$1,000,000
Tax-exempt clients	18
Types of accounts managed	CF
No. of portfolio managers	3
Size of research staff	2

Marine Investment Management Co. is an active equity, active fixed-income and balanced manager.

Its equity approach is contrarian, emphasizing Graham & Dodd analysis. It actively seeks undervalued companies with sound financial structure and underlying asset value, sound management, manageable debt, and a growing stream of dividends.

Its fixed-income approach relies on interest rate anticipation, analyzing the economic environment to position portfolios for maturity.

The asset mix Jan. 1 was 6% equity, 76% bonds, 7% cash and 11% mortgage-backed securities.

The parent is Marine Corp.

George R. Humm, executive vice president, is chief investment officer and client contact.

Marinvest

250 Park Ave., New York, N.Y. 10177; (212) 503-6815

Total assets managed	$2,684,000,000
Tax-exempt assets managed	
Total	$903,000,000
Pooled accounts	$454,000,000
Separate accounts	$449,000,000
401(k)/457 assets managed	$80,000,000
No. of 401(k)/457 plans	1
Minimum separate account	$10,000,000
Tax-exempt clients	
Pooled	720
Separate	14
Types of accounts managed	CEF
No. of portfolio managers	8
Size of research staff	8

Marinvest is an active equity, balanced and structured cash manager.

Its primary equity approach features total return, capital enhancement and high-yield portfolios. It uses value-based criteria to screen stocks and in-house analysis to identify revaluation potential.

Its fixed-income approach seeks to exceed market performance with price volatility reflective of the market; yield is enhanced through active sector rotation. Maturities are adjusted to reflect interest rate movements.

Its active cash management approach combines an aggressive search for yield opportunities and quick-response research to produce returns that consistently exceed the indexes.

The asset mix Jan. 1 was 18.5% equity, 21% bonds and 60.5% cash.

The parent is Marine Midland Bank.

Leo Grohowski and Bonnie O'Neil set the investment policy for equities; Wayne Wong and Ed Merkle, for fixed income. Denman Zirkle, managing director, is client contact.

Markston Investment Management

633 Third Ave., 17th Floor, New York, N.Y. 10017; (212) 972-3120

Total assets managed	$320,000,000
Tax-exempt assets managed	
Total	$261,000,000
Pooled accounts	$261,000,000
401(k)/457 assets managed	$7,000,000
No. of 401(k)/457 plans	1
Minimum separate account	$5,000,000
Tax-exempt clients	2
Types of accounts managed	C
No. of portfolio managers	3

Markston Investment Management is an active equity and active fixed-income manager.

Its equity approach uses quantitative screens to target soundly profitable businesses run by good management selling at bargain prices. Its fixed-income approach uses sector analysis.

The asset mix Jan. 1 was 86% stocks and 14% cash.

The parent is Mutual Benefit Life Insurance Co.

John R. Stone, president, is chief investment officer and client contact.

Marquette Bank Minneapols Trust Department

Sixth & Marquette, Minneapols, Minn. 55480; (612) 341-5677

Total assets managed	$238,000,000
Tax-exempt assets managed	
Total	$238,000,000
Separate accounts	$238,000,000
Mortgage assets	$6,000,000
Tax-exempt clients	342
Types of accounts managed	CEFG
No. of portfolio managers	1
Size of research staff	1

Marquette Bank Minneapolis Trust Department is an passive equity, passive fixed-income, balanced, tactical asset allocation and short-term manager.

Its equity approach is value oriented, using Graham & Dodd analysis and low p/e stocks. Its fixed-income approach is combines laddered maturities, the timing of purchases and sec-

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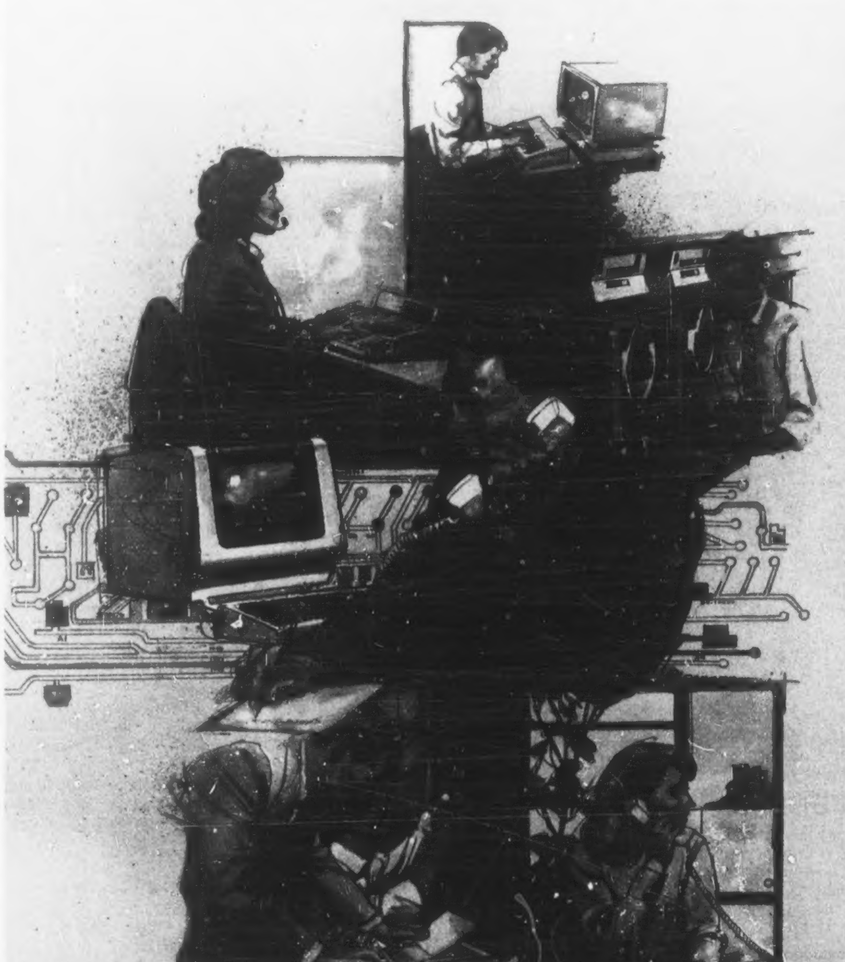

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tor selection to improve on investment return.

The asset mix Jan. 1 was 3% stocks, 90% bonds, 5% cash and 2% mortgages.

Harvey R. Peck, vice president-investment officer, is chief investment officer; Peter Miller, group vice president, is client contact.

Marsh & Cunningham Inc.

1 Liberty Square, P.O. Box 1961,
Boston, Mass. 02105; (617) 482-0290

Total assets managed	$152,000,000
Tax-exempt assets managed	
Total	$35,000,000
Separate accounts	$35,000,000
401(k)/457 assets managed	$2,000,000
No. of 401(k)/457 plans	2
Minimum separate account	$1,000,000
Tax-exempt clients	12
Types of accounts managed	CE
No. of portfolio managers	2

Marsh & Cunningham Inc. is a balanced manager.

Its equity approach is value-oriented using Graham & Dodd analysis and low p/e stocks. Its fixed-income approach is based on interest rate anticipation.

The asset mix Jan. 1 was 11% equity, 35% bonds and 54% cash.

Clients include Maidenform, Tobey Health Systems and Lexington Christian Academy.

John B. Marsh, principal, is chief investment officer and client contact.

Marsh & Cunningham — Castegren International

1 Liberty Square, P.O. Box 1961,
Boston, Mass. 02105; (617) 482-0290

Total assets managed	$203,000,000
Tax-exempt assets managed	
Total	$168,000,000
Separate accounts	$168,000,000
International equity assets	$168,000,000
Minimum separate account	$10,000,000
Tax-exempt clients	3
Types of accounts managed	C
No. of portfolio managers	1

Marsh & Cunningham — Castegren International, an active international equity manager, uses top-down country allocation and bottom-up stock selection. Low p/e stocks are identified using a 950-stock data base.

All assets were in international equity Jan. 1.

The parent is Marsh & Cunningham Inc.

Clients include GE, Owens-Illinois and Campbell Soup.

Hakan Castegren, principal, is chief investment officer and client contact.

J.D. Martin & Co.

1300 Free Press Building, Detroit,
Mich. 48226; (313) 961-1117

Total assets managed	$115,000,000
Tax-exempt assets managed	$68,000,000
Minimum separate account	$250,000
Tax-exempt clients	40
Types of accounts managed	CJ
No. of portfolio managers	3
Size of research staff	2

J.D. Martin & Co. is an active equity, active fixed-income, balanced and short-term manager.

Its equity approach emphasizes consistent and predictable growth of earnings and dividends, equally weighted, using proprietary valuation methodology. Analysis of asset valuation looking for low p/e stocks is secondary.

Its fixed-income approach uses sector analysis with emphasis in the corporate sector and interest rate anticipation. Weight is placed on stability or low volatility of principal.

James D. Martin, president, is chief investment officer; George M. Richmond is client contact.

Martingale Asset Management

12 Marshall St., Boston, Mass. 02108;
(617) 720-1334

Total assets managed	$48,000,000
Tax-exempt assets managed:	
Total	$48,000,000
Separate accounts	$48,000,000
Minimum separate account	$10,000,000
Tax-exempt clients	3
Types of accounts managed	CFJ
No. of portfolio managers	3

Martingale Asset Management, an active equity manager, uses quantitative techniques and Graham & Dodd analysis.

It calculates the intrinsic values for more than 1,000 stocks. Portfolio construction emphasizes high expected returns combined with industry and factor exposures similar to the client benchmark.

The asset mix Jan. 1 was 99% equity and 1% cash.

William E. Jacques is chief investment officer; Arnold S. Wood, president, is client contact.

Massachusetts Financial Services Co.

500 Boylston St., Boston, Mass.
02116; (617) 954-5000

Total assets managed	$22,650,000,000
Tax-exempt assets managed	
Total	$2,545,000,000
Separate accounts	$2,545,000,000
401(k)/457 assets managed	$14,000,000
No. of 401(k)/457 plans	1
Mortgage-backed assets	$69,000,000
International fixed-income assets	$58,000,000
Minimum separate account	$20,000,000
Tax-exempt clients	20
Types of accounts managed	CEFG
No. of portfolio managers	28
Size of research staff	25

Massachusetts Financial Services Co. is an active equity, active fixed-income, balanced, active international and short-term manager.

Its equity approach capitalizes on return differentials between industry groups, rotating sectors and industries where relative price momentum and prospective earnings potential look best. Its fixed-income strategy is based on yield curve and interest rate analysis. Options and fixed-income futures are used.

The asset mix Jan. 1 was 23% equity, 51% bonds 23% cash and 3% mortgage-backed securities.

The parent is Sun Life Assurance Company of Canada (U.S.).

Clients include Alcoa, Los Angeles County Employees, NYNEX and Louisiana Teachers.

A. Keith Brodkin, president, is chief investment officer; William H. Lynch and James H. Kelly Jr., vice presidents, are client contacts.

Massachusetts Mutual Life Insurance Co.

1295 State St., Springfield, Mass.
01111; (413) 788-8411

Total assets managed	$21,500,000,000
Total discretionary assets	$21,500,000,000
Tax-exempt assets managed:	
Total	$10,700,000,000
Pooled accounts	$1,153,000,000
Separate accounts	$274,000,000
GICs	$3,245,000,000
Annuities	$1,745,000,000
Other	$4,283,000,000
401(k)/457 assets managed	$2,883,000,000
No. of 401(k)/457 plans	1,336
Equity real estate assets	$148,000,000
Mortgage assets	$2,822,000,000
Mortgage-backed assets	$2,388,000,000
Minimum separate account	$5,000,000
Tax-exempt clients:	
Pooled	1,937
Separate	9
Types of accounts managed	CEFJG
No. of portfolio managers	4
Size of research staff	24

Massachusetts Mutual Life Insurance Co. is an active equity, active fixed-income, balanced, real estate and short-term manager.

Its equity approach emphasizes low p/e stocks and yield, identifying financially strong companies with a history of dividend growth purchased at discounted valuation levels. Its fixed-income approach is based on sector analysis.

The real estate approach emphasizes well-diversified portfolios with a balance between cash and price appreciation.

The separate account mix Jan. 1 was 81% stocks, 9% bonds, 6% cash and 4% equity real estate.

Richard G. Dooley is chief investment officer; Peter J. Vogian, senior vice president, is client contact.

Mathers & Co. Inc.

100 Corporate North, Suite 201,
Bannockburn, Ill. 60015; (312) 295-7400

Total assets managed	$759,000,000
Tax-exempt assets managed	
Total	$588,000,000
Separate accounts	$588,000,000
Minimum separate account	$5,000,000
Tax-exempt clients	12
Types of accounts managed	CEF
No. of portfolio managers	4

Mathers & Co. Inc. is an active equity and active fixed-income manager.

Its equity approach emphasizes bottom-up issue selection based on underlying fundamental value and the existence of special-situation characteristics. Its fixed-income approach is oriented toward analysis of interest rates, equities and the overall economic outlook. Limited use is made of stock index futures.

The asset mix Jan. 1 was 98% equity and 2% cash.

Clients include Amsted Industries, Peoples Energy, Christian Brothers Retirement and Indiana University.

Henry G. Van der Eb Jr. is chief investment officer; Daniel P. Abercrombie is client contact.

Matrix Capital Management

1 Greenwich Plaza, Greenwich, Conn.
06830; (203) 629-4400

Total assets managed	$879,000,000
Tax-exempt assets managed	
Total	$879,000,000
Pooled accounts	$54,000,000
Separate accounts	$825,000,000
Minimum separate account	$10,000,000
Tax-exempt clients	
Pooled	11
Separate	13
Types of accounts managed	C
No. of portfolio managers	4

Matrix Capital Management, an active equity and tactical asset allocation manager, uses a quantitative method that emphasizes sector rotation. Financial futures are used.

The asset mix Jan. 1 was 89% equity, 8% bonds and 3% cash.

The firm follows 1,000 stocks closely and 1,700, generally; 99% of research is generated internally.

The parent is Prudential Life Insurance Co. of America.

Michael A. Petrino, president and senior managing partner, is chief investment officer; Lynn Edelman, vice president, is client contact.

Mawer & Associates Investment Counsel

Suite 600, 603 7th Ave. S.W., Calgary,
Alberta T2P 2T5; (403) 262-4673

Total assets managed	$156,000,000
Tax-exempt assets managed:	
Total	$151,000,000
Pooled accounts	$9,000,000
Separate accounts	$142,000,000
For subsidiaries of U.S. firms	$12,000,000
Non-North American equities	$2,000,000
Tax-exempt clients:	
Pooled	5
Separate	11
U.S. subsidiaries	3
Types of accounts managed	CF
No. of portfolio managers	5
Size of research staff	1

Mawer & Associates Investment Counsel, a Canadian firm, is a passive equity, passive fixed-income, balanced, passive international equity and short-term manager.

Its equity approach is value and value-growth oriented. Its fixed-income approach is based on interest rate anticipation, focusing on safety of principal and real income.

The asset mix Jan. 1 was 20% Canadian stocks, 10% U.S. stocks, 50% bonds and 20% cash.

Leighton F. Pullen is chief investment officer; Gerald A. Cooper-Key, Donald T. Ferris and Donald G. Thurston are client contacts.

McBryan, Malone & Russell

Park Road Plaza, Box 144A, R.D. 11,
Reading, Pa. 19607; (215) 777-8110

Total assets managed	$82,000,000
Tax-exempt assets managed:	
Total	$73,000,000
Separate accounts	$73,000,000
401(k)/457 assets managed	$4,000,000
No. of 401(k)/457 plans	2
Minimum separate account	$100,000
Tax-exempt clients	94
Types of accounts managed	CEFG
No. of portfolio managers	4

McBryan, Malone & Russell is an active equity, balanced, short-term and options manager.

Its equity approach focuses on option writing and hedging. Stocks are selected that are unlikely to decline in value, have good financial characteristics and are selling at a fair value. Once a stock is bought, the firm sells call options. Its fixed-income approach is passive.

The asset mix Jan. 1 was 60% equity, 20% bonds and 20% cash.

Donald J. McBryan, partner, is chief investment officer; M. Kevin Malone, partner, is client contact.

E.J. McConnell & Associates

P.O. Box 25, Suite 2600, Royal Bank
Plaza North Tower, Toronto, Ontario
M5J 2J1; (416) 366-5871

Total assets managed	$1,922,000,000
Tax-exempt assets managed	
Total	$1,533,000,000
Pooled accounts	$33,000,000
Separate accounts	$1,500,000,000
For subsidiaries of U.S. firms	$418,000,000
Minimum separate account	$8,300,000
Tax-exempt clients	
Pooled	24
Separate	73
U.S. subsidiaries	14
Types of accounts managed	CFGU
No. of portfolio managers	6
Size of research staff	2

E.J. McConnell & Associates Ltd., a Canadian firm, is an active equity, balanced, active international/global equity and active U.S. equity manager.

In equities, industry group selection is of primary importance. The firm uses growth and emerging growth stocks and Graham & Dodd analysis.

In fixed-income, the firm operates a three-part strategy comprising a core component, a smaller interest rate anticipation and a trading component that uses sector analysis and spread trading opportunities.

The asset mix Jan. 1 was 34.5% Canadian stocks, 9% U.S. stocks, 45% bonds and 11.5% cash.

E.J. McConnell, president, is chief investment officer; Douglas Kee, vice president and director, is client contact.

McCowan Associates Inc.

125 E. 38th St., New York, N.Y.
10016; (212) 545-8711

Total assets managed	$1,431,000,000
Tax-exempt assets managed:	
Total	$1,225,000,000
Separate accounts	$1,235,000,000
Mortgage-backed assets	$15,000,000
International equity assets	$15,000,000
International fixed-income assets	$5,000,000
Minimum separate account	$15,000,000
Tax-exempt clients	28
Types of accounts managed	CEFJG
No. of portfolio managers	5
Size of research staff	2

McCowan Associates Inc. is an active equity, active fixed-income and balanced manager.

Its equity approach emphasizes growth and emerging growth stocks. Its fixed-income approach emphasizes interest rate anticipation and sector analysis. Interest rate forecasting determines maturity term structure, while security selection emphasizes high-quality marketability.

The asset mix Jan. 1 was 82% equities, 7% bonds, 10% cash and 1% mortgage-backed securities.

The firm follows 100 stocks closely and 200, generally; 50% of research is generated internally.

Clients include Kress Foundation, Michigan State University, NYNEX and Texaco.

Bruce J. McCowan, principal and chairman, is chief investment officer; Paul F. Pfeiffer, principal, is client contact.

McCullough, Andrews & Cappiello Inc.

101 California St., Suite 4250, San
Francisco, Calif. 94111; (415) 956-8700

Total assets managed	$800,000,000
Tax-exempt assets managed:	
Total	$640,000,000
Separate accounts	$640,000,000
Minimum separate account	$1,000,000
Tax-exempt clients	83
Types of accounts managed	CEFG
No. of portfolio managers	5
Size of research staff	5

McCullough, Andrews & Cappiello Inc. is an active equity, active fixed-income and balanced manager.

25 largest managers of 401(k)/457 assets

Firm	$ mils.
Metropolitan Life	18,200
Fidelity Mgmt. & Research	10,000
Bankers Trust	7,940
Aetna Life	6,492
State Street Bank	5,840
Prudential Asset	4,928
GE Investments	4,500
PRIMCO	4,098
Provident Nat'l	3,947
The Principal	3,350
Chancellor Capital	3,287
CIGNA Asset	3,200
Mass. Mutual Life	2,883
Nationwide Life	2,306
Ameritrust	2,113
Thompson, Siegel	1,901
Morley Capital	1,806
Continental Assurance	1,755
Vanguard Group	1,672
Hartford Life	1,400
Sovran Bank	1,349
Sears Investment	1,242
Dillon, Read	1,070
Stein Roe & Farnham	943
Great West Life	917
TOTAL	97,139

Its equity approach is based on maintenance of buying power through growth of earnings and dividends on relatively low p/e values purchased on a timely basis at the lower end of their relative trading ranges.

Its fixed-income strategy uses interest rate anticipation with an emphasis on liquidity and quality. Identification of major trends is paramount.

The asset mix Jan. 1 was 75% equity, 13% bonds and 12% cash.

Clients include Santa Clara University Endowment, Pacific Stock Exchange and the City & County of San Francisco Retirement.

Robert F. McCullough, chairman, is chief investment officer and client contact.

McGlinn Capital Management Inc.

850 N. Wyomissing Blvd., P.O. Box
6158, Wyomissing, Pa. 19610-0158;
(215) 374-5125

Total assets managed	$2,200,000,000
Tax-exempt assets managed:	
Total	$1,820,000,000
Pooled accounts	$60,000,000
Separate accounts	$1,760,000,000
401(k)/457 assets managed	$35,000,000
No. of 401(k)/457 plans	6
Dedicated/immunized assets	$622,000,000
Minimum separate account	$10,000,000
Tax-exempt clients:	
Pooled	1
Separate	90
Types of accounts managed	CEFJG
No. of portfolio managers	6
Size of research staff	6

McGlinn Capital Management Inc. is an active equity, active and passive fixed-income and balanced manager.

Its top-down equity approach combines low p/e stocks, Graham & Dodd analysis, sector rotation, market timing and quantitative analysis.

Its fixed-income approach focuses on interest rate direction and the posture of the Federal Reserve Board. Portfolios are concentrated in intermediate-term government and high-quality corporate issues.

Options and financial futures are used.

The asset mix Jan. 1 was 30% equity, 62% bonds and 8% cash.

Clients include Carpenter Technology, Pennsylvania Employes, Central Pennsylvania Teamsters and TWA.

Terrence J. McGlinn, president, is chief investment officer; James A. Walker, senior vice president, is client contact.

C.S. McKee & Co. Inc.

1 Gateway Center, Pittsburgh, Pa.
15222; (412) 566-1234

Total assets managed	$1,200,000,000
Tax-exempt assets managed:	
Total	$1,200,000,000
Separate accounts	$1,200,000,000
401(k)/457 assets managed	$10,000,000
No. of 401(k)/457 plans	2
Minimum separate account	$1,000,000
Tax-exempt clients	94

Types of accounts managed	CEFG
No. of portfolio managers	7

C.S. McKee & Co. Inc. is an active equity, active fixed-income and balanced manager.

Its equity approach is risk-averse and opportunistic, emphasizing a bottom-up style. For risk avoidance, it uses broad diversification and periodic reduction of exposure by raising cash. In its opportunistic approach, it stresses value-oriented selection, including low p/e, increased earnings and high return on earnings.

Its fixed-income approach is risk-averse and opportunistic. Identifying interest rate direction is essential to protect and enhance capital. Sector and quality shifts enhance return potential; investments are A or better.

The asset mix Jan. 1 was 60% equities, 25% bonds and 15% cash.

The parent is United Asset Management.

Clients include Allegheny County, City of Wichita, Electric Materials and the Buhl Foundation.

Charles E. Jacobs, chief executive officer, is chief investment officer; James H. Hanes, president, is client contact.

McMahan Real Estate Advisors Inc.

201 California St., Suite 400, San
Francisco, Calif. 94111; (415)
433-7770

Total assets managed	$568,000,000
Tax-exempt assets managed	
Total	$503,000,000
Pooled accounts	$30,000,000
Separate accounts	$473,000,000
Equity real estate assets	$458,000,000
Mortgage assets	$45,000,000
Minimum separate account	$50,000,000
Tax-exempt clients	
Pooled	4
Separate	7
Types of accounts managed	CFG
No. of portfolio managers	4
Size of research staff	2

McMahan Real Estate Advisors Inc. acquires high-quality, operating retail, office and industrial properties in growth corridors of major metropolitan areas in the West. The firm adds value through "hands-on" property management. Dispositions are reviewed annually and sale is strategically timed to coincide with favorable market conditions.

The asset mix Jan. 1 was 91% equity real estate and 9% mortgages.

The parent is McMahan Financial Services Inc.

Clients include Southwestern Bell, NYNEX, Contra Costa County Employees and Ventura County Employees.

Thomas C. Clark, executive vice president, is chief investment officer and client contact.

McMillion/Eubanks Capital Management Inc

P.O. Box 21447, Greensboro, N.C.
27420; (919) 274-4876

Total assets managed	$159,000,000
Tax-exempt assets managed	
Total	$82,000,000
Separate accounts	$82,000,000
401(k)/457 assets managed	$2,000,000
No. of 401(k)/457 plans	2
Minimum separate account	$1,000,000
Tax-exempt clients	39
Types of accounts managed	CEF
No. of portfolio managers	5
Size of research staff	2

McMillion/Eubanks Capital Management Inc. is an active equity, active fixed-income and balanced manager.

Its top-down investment approach uses economic, fundamental and technical resources to identify emerging secular trends. Monetary, fiscal and trade policies are analyzed to pinpoint developing themes and sectors. Proprietary earnings momentum and valuation screens aid in identifying undervalued issues.

Options are used.

The asset mix Jan. 1 was 41% equity, 28% bonds and 31% cash.

The parent is McMillion/Eubanks Inc.

Robert C. Eubanks Jr., president, is chief investment officer; William B. Carr, executive vice president and director of marketing, is client contact.

McMorgan & Co.

201 Spear St., Suite 1700, San
Francisco, Calif. 94105-1637; (415)
777-9300

Total assets managed	$6,000,000,000
Tax-exempt assets managed	
Total	$6,000,000,000
Separate accounts	$6,000,000,000
Equity real estate assets	$300,000,000
Mortgage assets	$1,080,000,000
Minimum separate account	$10,000,000
Tax-exempt clients	86
Types of accounts managed	J
No. of portfolio managers	9
Size of research staff	23

McMorgan & Co. is an active equity, active fixed-income, balanced and real estate manager.

The asset mix Jan. 1 was 27% equity, 42% bonds, 8% cash, 5% equity real estate and 18% mortgages.

Thomas A. Morton, chief executive officer and chairman, is chief investment officer.

William O. Sumner, senior vice president, is client contact.

John McStay Investment Counsel

5949 Sherry Lane, Suite 1560, Dallas,
Texas 75225; (214) 360-1400

Total assets managed	$400,000,000
Tax-exempt assets managed	
Total	$400,000,000
Separate accounts	$400,000,000
Minimum separate account	$10,000,000
Tax-exempt clients	15
Types of accounts managed	CFG
No. of portfolio managers	4
Size of research staff	4

John McStay Investment Counsel is an active equity and balanced manager.

Its equity approach is rotational and theme oriented. Fundamental research focuses on companies with relative price and earnings momentum, resulting in portfolios with growth characteristics.

Its fixed-income approach is risk-averse and oriented toward cash flow and volatility requirements. Convertible debentures are used.

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The asset mix Jan. 1 was 92% equity and 8% cash.

Clients include Pacific Telesis, Georgia Pacific and Temple Inland.

John McStay, managing partner, is chief investment officer; Tricia Hundley, principal, is client contact.

R. Meeder & Associates Inc.

6000 Memorial, Dublin, Ohio 43017;
(614) 766-7000

Total assets managed	$465,000,000
Tax-exempt assets managed:	
Total	$447,000,000
Pooled accounts	$196,000,000
Separate accounts	$251,000,000
Minimum separate account	$3,000,000
Tax-exempt clients:	
Pooled	5
Separate	202
Types of accounts managed	CEFJ
No. of portfolio managers	10
Size of research staff	10

R. Meeder & Associates Inc. is an active fixed-income, balanced, short-term and tactical asset manager.

Its equity philosophy is based on capital preservation; tactical asset allocation disciplines are implemented through a clearly defined decision process.

Its fixed-income approach is based on active maturity management implemented through an objective and quantitative decision process that maximizes the predictability of returns.

Options and stock index futures are used for hedging strategies.

The asset mix Jan. 1 was 100% cash.

Ralph S. Meeder Sr. and Philip A. Voelker are chief investment officers; Robert D. Baker and Harry Haynes are client contacts.

Mellon Bond Associates

1 Mellon Bank Center, Suite 4135,
Pittsburgh, Pa. 15258-0001; (412)
234-3678

Total assets managed	$17,040,000,000
Tax-exempt assets managed:	
Total	$16,894,000,000
Pooled accounts	$6,306,000,000
Separate accounts	$10,588,000,000
Fixed-income indexed assets	$5,398,000,000
Dedicated/immunized assets	$1,560,000,000
Minimum separate account	$5,000,000
Tax-exempt clients:	
Separate	77
Types of accounts managed	CEFJG
No. of portfolio managers	13
Size of research staff	4

Mellon Bond Associates, an active and passive fixed-income and short-term manager, establishes a performance benchmark for each actively managed account, followed by strict control of duration, yield, income and cash flow structure. Value is added by sector/quality spread valuation and issue selection. Fixed-income futures are used.

All assets Jan. 1 were in bonds.

The parent is Mellon Bank Corp.

Clients include Pennsylvania School Employes, NYNEX, New York City Teachers and Alcoa.

Paul R. McCann, president, is chief investment officer; William F. Adam, executive vice president, is client contact.

Mellon Capital Management

595 Market St., San Francisco, Calif.
94105; (415) 546-6056

Total assets managed	$22,800,000,000
Tax-exempt assets managed:	
Total	$22,800,000,000
Pooled accounts	$17,820,000,000
Separate accounts	$4,980,000,000
International equity assets	$305,000,000
Equity indexed assets	$19,360,000,000
Fixed-income indexed assets	$2,975,000,000
Minimum separate account	$30,000,000
Tax-exempt clients:	
Pooled	100
Separate	22
Types of accounts managed	CEFJG
No. of portfolio managers	10
Size of research staff	5

Mellon Capital Management Corp. is a passive equity, passive fixed-income, tactical asset allocation and passive international equity manager.

Quantitative methods are used, as are options and financial futures.

Seventy-five percent of research is generated internally.

The parent is Mellon Bank Corp.

William L. Fouse, chairman, is chief investment officer; Cary Martin Zellerbach, executive vice president, is client contact.

Mellon Equity Associates

500 Grant St., Suite 4100, Pittsburgh,
Pa. 15258-0001; (412) 234-1394

Total assets managed	$3,346,000,000
Tax-exempt assets managed:	
Total	$3,346,000,000
Pooled accounts	$165,000,000
Separate accounts	$3,181,000,000
401(k)/457 assets managed	$239,000,000
No. of 401(k)/457 plans	9
Minimum separate account	$5,000,000
Tax-exempt clients:	
Pooled	17
Separate	33
Types of accounts managed	CEFG
No. of portfolio managers	3
Size of research staff	6

Mellon Equity Associates is an active equity and balanced manager.

Its equity approach is quantitative, with disciplined security valuation and portfolio construction processes designed to maximize expected return per unit risk taken.

Financial futures are used.

The asset mix Jan. 1 was 85% equity, 13% bonds and 2% cash.

The firm follows 1,500 stocks closely and 2,000, generally; 80% of research is generated internally.

The parent is Mellon Bank Corp.

Clients include AT&T, Lockheed, Pennsylvania Public School Employes and Chevron.

Richard M. Siefert, president, is chief investment officer; Francis "Tim" Stack, senior vice president, is client contact.

Mellon-Pictet International Management Ltd.

Cutlers Gardens, 5 Devonshire
Square, London, U.K. EC2M 4LD;
011-44-1-283-7471

Total assets managed	$697,000,000
Tax-exempt assets managed:	
Total	$566,000,000
Pooled accounts	$26,000,000
Separate accounts	$540,000,000
International equity assets	$566,000,000
Tax-exempt clients:	
Separate	13
Types of accounts managed	CF
No. of portfolio managers	6
Size of research staff	22

Mellon-Pictet International Management Ltd. is an active international equity, active international fixed-income and balanced manager.

Its equity approach uses a systematic, disciplined technique linking share value to fundamentals within a precisely defined universe. Control of risk also is disciplined. Its fixed-income approach actively manages maturity, security type and currency exposure. Portfolios are broadly diversified using high-quality issues.

The asset mix Jan. 1 was 98% equities and 2% cash.

The parent companies are Mellon Bank and Pictet et Cie.

Clients include GM, NYNEX, Unisys and Kraft.

Dan Blanks is president and chief investment officer; Steven Albrecht, director-client relations, is client contact at (508) 238-1529.

Mellon Real Estate Investment Management

8 Stamford Forum, Stamford, Conn.
06901; (203) 324-6400

Total assets managed	$800,000,000
Tax-exempt assets managed:	
Total	$800,000,000
Separate accounts	$800,000,000
Equity real estate assets	$460,000,000
Mortgage assets	$340,000,000
Minimum separate account	$10,000,000
Tax-exempt clients	12
Types of accounts managed	CG
No. of portfolio managers	8
Size of research staff	1

Mellon Real Estate Investment Management Corp. designs real estate portfolios to meet the specific investment objectives of each client. The firm invests in both equity (direct ownership) and debt (mortgages).

The asset mix Jan. 1 was 58% equity real estate and 42% mortgages.

The parent is Mellon Bank Corp.

Clients include Westinghouse Electric, Bell Atlantic, Borg Warner and the Joint Municipal Employee Benefit System of Georgia.

Larry Kash, president, is chief investment officer; Karin E. Shewer, senior vice president, is client contact.

L.J. Melody & Co.

5847 San Felipe, Suite 4400, Houston,
Texas 77057; (713) 787-1900

Total assets managed	$2,003,000,000
Tax-exempt assets managed:	
Total	$810,000,000
Separate accounts	$810,000,000
Equity real estate assets	$343,000,000
Mortgage assets	$467,000,000
Minimum separate account	$25,000,000
Tax-exempt clients	3
Types of accounts managed	CG

L.J. Melody & Co., a real estate manager, acquires and manages hybrid debt and equity real estate investments nationwide through separate account and specialized commingled fund strategies.

The asset mix Jan. 1 was 42% real estate equity and 58% mortgages.

Lawrence J. Melody, president, is chief investment officer; Robert D. Barkley, vice president, is client contact.

Mercantile National Bank of Indiana

5243 Hohman Ave., Hammond, Ind.
46325-0249; (219) 932-8220

Total assets managed	$119,000,000
Tax-exempt assets managed:	
Total	$54,000,000
Commingled accounts	$10,000,000
Separate accounts	$44,000,000
Minimum separate account	$500,000
Tax-exempt clients:	
Commingled	85
Separate	26
Types of accounts managed	CFJG
No. of portfolio managers	1
Size of research staff	1

Mercantile National Bank of Indiana is an active equity, active and passive fixed-income and balanced manager.

Its equity approach is value-oriented; fundamental analysis aids in identifying undervalued securities. Its fixed-income approach uses sector analysis.

The asset mix Jan. 1 was 48% stocks, 47% bonds and 5% cash.

The parent is Mercantile Bancorp Inc.

Edward A. Studzinski, vice president-investments, is chief investment officer; Gary M. Wilbert, assistant vice president and corporate trust officer, is client contact.

Mercantile-Safe Deposit & Trust Co.

2 Hopkins Plaza, P.O. Box 2257,
Baltimore, Md. 21203; (301)
237-5548

Total assets managed	$6,043,000,000
Tax-exempt assets managed:	
Total	$2,702,000,000
Commingled accounts	$871,000,000
Separate accounts	$1,831,000,000
Types of accounts managed	CEFG
No. of portfolio managers	8
Size of research staff	8

Mercantile-Safe Deposit & Trust Co. is an active equity, active and passive fixed-income, balanced and short-term manager.

Its equity approach is value-oriented and focuses on high-yield, low p/e securities.

Emphasis is placed on the buy/sell discipline.

Its fixed-income approach is risk-averse, using bonds to counterbalance market volatility.

The asset mix Jan. 1 was 36% stocks, 35% bonds and 29% cash.

The bank follows 200 stocks closely and 3,000, generally; 60% of research is generated internally.

The parent is Mercantile Bankshares.

James D. Hardesty, executive vice president, is chief investment officer; John N. Wetzelberger, vice president, is client contact.

Mercator Asset Management

2400 E. Commercial Blvd., Fort
Lauderdale, Fla. 33308; (305)
771-9660

Total assets managed	$800,000,000
Tax-exempt assets managed	$700,000,000
Minimum separate account	$10,000,000
Types of accounts managed	CE
No. of portfolio managers	3

Mercator Asset Management, an equity manager, takes a value approach focusing on low p/e stocks.

The parent is Prudential Insurance Co. of America.

Michael Williams is client contact.

The Merchants Bank

1125 Grand Ave., Kansas City, Mo.
64106; (816) 556-8082

Total assets managed	$508,000,000
Tax-exempt assets managed:	
Total	$128,000,000
Separate accounts	$128,000,000
401(k)/457 assets managed	$25,000,000
No. of 401(k)/457 plans	25
Mortgage-backed assets	$6,000,000
Minimum separate account	$500,000
Tax-exempt clients	200
Types of accounts managed	CEFJG
No. of portfolio managers	2
Size of research staff	2

The Merchants Bank is a passive equity, active and passive fixed-income, balanced, tactical asset allocation and short-term manager.

Its equity approach is a value, low p/e, high dividend style that is somewhat contrarian. Emphasis is on growth in dividends and earnings, strong balance sheets and return on equity. Its primary fixed-income approach is passive, focusing on interest rate anticipation and sector analysis. Concentration in longer term securities is avoided; maturities are laddered.

The asset mix Jan. 1 was 12% stocks, 58% bonds, 25% cash and 5% mortgage-backed securities.

W. Patrick Sterner, executive vice president, is chief investment officer and client contact.

Merchants Investment Counseling Inc.

1 Merchants Plaza, Suite 635E,
Indianapolis, Ind. 46255; (317)
267-3731

Total assets managed	$3,000,000,000
Tax-exempt assets managed:	
Total	$1,200,000,000
Pooled accounts	$38,000,000
Separate accounts	$1,162,000,000
401(k)/457 assets managed	$12,000,000
No. of 401(k)/457 plans	12
Minimum separate account	$1,000,000
Tax-exempt clients:	
Pooled	200
Separate	57
Types of accounts managed	CEFJG
No. of portfolio managers	9
Size of research staff	3

Merchants Investment Counseling Inc. is an active equity, active and passive fixed-income, balanced and short-term manager.

Its equity approach has a bottom-up focus that emphasizes accelerating and consistent earnings using qualitative and valuation standards.

Its fixed-income approach emphasizes active duration management and total return, using market cycle valuation analysis. At times, portfolios may seek high income and price stability.

The asset mix Jan. 1 was 40% stocks, 45% bonds and 15% cash.

The parent is Merchants National Corp.

Clients include IBEW, Indiana Teachers, Walther Cancer Institute and Indianapolis Museum of Art.

Mike Burgad, president, is chief investment officer; Susan S. Thomas, vice president, is client contact.

Merganser Capital Management Corp.

1 Cambridge Center, Cambridge,
Mass. 02142; (617) 494-1000

Total assets managed	$1,595,000,000
Tax-exempt assets managed:	
Total	$1,581,000,000
Separate accounts	$1,581,000,000
401(k)/457 assets managed	$282,000,000
No. of 401(k)/457 plans	1
Minimum separate account	$10,000,000
Tax-exempt clients	9
Types of accounts managed	CF
No. of portfolio managers	2
Size of research staff	2

Merganser Capital Management Corp., an active fixed-income and short-term manager, emphasizes capital preservation. Value is added by investing in sectors and securities that offer attractive returns compared with U.S. government securities on a yield-to-maturity basis.

All assets Jan. 1 were in fixed-income.

Clients include Polaroid, Virginia Supplemental, National Academy of Sciences and Aerospace Corp.

Edward M. Safran, president, and Edward R. Bedrosian, chairman, are

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New York Chicago Washington Dallas

chief investment officers; James Wakefield, vice president, is client contact.

Meridian Capital Management Ltd.

450 B St., Suite 780, San Diego, Calif. 92101; (619) 239-9049

Total assets managed	$55,000,000
Tax-exempt assets managed	
Total	$19,000,000
Separate accounts	$19,000,000
Foreign equity assets	$2,000,000
Foreign fixed-income assets	$2,000,000
Minimum separate account	$300,000
Tax-exempt clients	35
Types of accounts managed	CF
No. of portfolio managers	2

Meridian Capital Management Ltd. is an active equity, passive international, balanced and short-term manager.

Its investment approach uses active asset allocation incorporating equities, fixed income and cash equivalents. Its equity approach concentrates on value-oriented growth companies with superior appreciation potential. Its fixed-income approach is passive, using primarily short- to medium-duration Treasuries, investment-grade corporates and foreign securities.

The asset mix Jan. 1 was 41% equities, 14% bonds, 43% cash and 2% other.

Ellis Smith and John Messer are chief investment officers; Kimberlee O'Maley is client contact.

Meridian Investment Co.

P.O. Box 2000, Valley Forge, Pa. 19482; (215) 251-7955

Total assets managed	$1,000,000,000
Tax-exempt assets managed	
Total	$1,000,000,000
Pooled accounts	$400,000,000
Separate accounts	$600,000,000
401(k)/457 assets managed	$100,000,000
No. of 401(k)/457 plans	15
Minimum separate account	$5,000,000
Tax-exempt clients	
Pooled	4
Separate	28
Types of accounts managed	CEFG
No. of portfolio managers	7

Meridian Investment Co. is an active equity, active fixed-income, balanced, short-term and convertible manager.

Its primary equity approach is value and growth driven. The firm emphasizes a proprietary model-driven strategy that is extremely disciplined and structured. Technical variables are also used. Its fixed-income approach is based on interest rate anticipation.

The asset mix Jan. 1 was 45% equities and 55% bonds.

The firm follows 2,500 stocks closely and 2,500, generally; all research is generated internally.

The parent is Meridian Bancorp.

Clients include Sheetmetal Local 19, Wawa Inc. and Tasty Baking.

Philip H. Brown II is chief investment officer; K. Lawrence Neill, vice president and director of sales, is client contact.

Meridian Management Co.

1000 Plaza West Building, Little Rock, Ark. 72205; (501) 663-7055

Total assets managed	$353,000,000
Tax-exempt assets managed:	
Total	$298,000,000
Separate accounts	$298,000,000
Minimum separate account	$10,000,000
Tax-exempt clients	17
Types of accounts managed	CEF
No. of portfolio managers	2
Size of research staff	2

Meridian Management Co. is an active equity and active fixed-income manager.

Its equity approach is value-oriented and keyed to buying deeply discounted stocks of viable companies. It stresses undervalued sectors, industries and issues that typically sell below book value and at relatively low multiples of normal earnings power.

Its fixed-income approach emphasizes undervalued securities and sectors investing in either high-grade or lower-grade issues depending on where the best opportunities exist.

The asset mix Jan. 1 was 95% equities and 5% cash.

Lee Bodenhamer is chief investment officer; Jennifer Wilson is client contact.

Merrill Lynch Asset Management Inc.

Box 9011, Princeton, N.J. 08543; (609) 282-2000

Total assets managed	$75,400,000,000
Tax-exempt assets managed	
Total	$4,600,000,000
Pooled accounts	$1,400,000,000
Separate accounts	$3,200,000,000
Minimum separate account	$1,000,000
Tax-exempt clients	
Separate	599
Types of accounts managed	CEFG
No. of portfolio managers	43
Size of research staff	3

Merrill Lynch Asset Management Inc. is an active equity, active fixed income, balanced, active international equity, active international fixed-income, options and mutual funds manager.

Its equity approach is value-oriented, focusing on Graham & Dodd analysis of low p/e, high reinvestment rate companies.

Its fixed-income approach emphasizes proper yield curve positioning through interest rate forecasting and yield curve analysis. Credit analysis and bond swaps add value. It prefers short-maturity, high-quality issues.

Options are used.

The asset mix Jan. 1 was 48% equity, 39% bonds and 13% cash.

The firm follows 300 stocks closely and 400, generally; 50% of research is generated internally.

The parent is Merrill Lynch & Co.

Arthur Zeikel, president, is chief investment officer; Daniel J. Goldman, vice president, is client contact.

Paul A. Merriman & Associates Inc.

1200 Westlake Ave. N., Suite 507, Seattle, Wash. 98109-3530; (206) 285-8877

Total assets managed	$51,000,000
Tax-exempt assets managed	
Total	$41,000,000
Separate accounts	$41,000,000
International equity assets	$1,000,000
Tax-exempt clients	105
Types of accounts managed	CFJ
No. of portfolio managers	3
Size of research staff	3

Paul A. Merriman & Associates Inc. is an active equity, active fixed-income, balanced, tactical asset allocation and active international equity manager.

It manages all accounts using no-load mutual funds with multiple market-timing signals. It includes corporate and government bond funds, low- to high-risk equity funds, money market funds and international funds. The timing of bond funds is based on trend-following techniques.

The asset mix Jan. 1 was 36% equities and 64% cash.

Paul A. Merriman is chief investment officer and client contact.

Profiles of the largest international investment advisers will be published in *Pensions & Investment Age* June 26.

Merritt Easton Rae Management Ltd.

1770-609 Granville St., P.O. Box 10012, Pacific Centre, Vancouver, British Columbia V7Y 1A3; (604) 669-1600

Total assets managed	$21,000,000
Tax-exempt assets managed:	
Total	$20,000,000
Separate accounts	$20,000,000
For subsidiaries of U.S. firms	$0
Minimum separate account	$1,000,000
Tax-exempt clients	1
Types of accounts managed	U
No. of portfolio managers	1
Size of research staff	3

Merritt Easton Rae Management Ltd., a Canadian firm, is a passive equity, balanced, tactical asset allocation and short-term manager.

Its equity approach uses growth stocks, tactical allocation and sector rotation. Its fixed-income approach is based on interest rate anticipation.

The asset mix Jan. 1 was 33% Canadian stocks, 8% U.S. stocks, 15%

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Atlanta, Boston, Chicago, Dallas, Detroit, Houston, Los Angeles, New York, Philadelphia, San Francisco, Sarasota

5i

bonds and 44% cash.

Robert L. Merritt, president, is chief investment officer and client contact.

Merus Capital Management

400 California St., San Francisco,
Calif. 94104; (415) 765-3049

Total assets managed	$4,000,000,000
Tax-exempt assets managed:	
Total	$1,080,000,000
Pooled accounts	$223,000,000
Separate accounts	$857,000,000
Minimum account	$10,000,000
Tax-exempt clients:	
Pooled	48
Separate	29
Types of accounts managed	CEFG
No. of portfolio managers	21
Size of research staff	10

Merus Capital Management, formerly Bank of California/Merus Capital Management, is an active equity and balanced manager.

Using the Historical Relative Yield discipline, the firm's income equity strategy invests in high-quality common stocks that provide low volatility relative to the market while seeking long-term capital growth.

The firm's flexible bond strategy seeks to provide a high total return from high-quality government obligations. A multiscenario forecasting method allows portfolio adjustment according to interest rate and economic expectations.

The asset mix Jan. 1 was 73% stocks, 18% bonds and 9% cash.

The parent is Mitsubishi Bank Ltd.

Clients include Chevron, Owens-Corning Fiberglas, Federal Express and Louisiana.

Anthony E. Spare is senior vice president and chief investment officer; Nancy Tengler, vice president-director of marketing and client relations, is client contact.

Mesirow Asset Management

350 N. Clark St., Chicago, Ill. 60610;
(312) 670-6023

Total assets managed	$260,000,000
Tax-exempt assets managed:	
Total	$170,000,000
Separate accounts	$170,000,000
Minimum separate account	$1,000,000
Tax-exempt clients	125
Types of accounts managed	CF
No. of portfolio managers	3
Size of research staff	3

Mesirow Asset Management is an active equity, passive fixed-income and balanced manager.

Its equity approach is to buy stocks of established companies selling at low p/e multiples with above-average yield. Its fixed-income approach uses maturities of 10 years or less and at least an A rating.

The asset mix Jan. 1 was 45% equity, 45% bonds and 10% cash.

The parent is Mesirow Financial Corp.

Stephen G. Gaber, managing director, is chief investment officer; Elmer Rich III, director of marketing, is client contact.

Metric Institutional Realty Advisors

950 Tower Lane, Foster City, Calif.
94404; (415) 378-7098

Total assets managed	$1,886,000,000
Tax-exempt assets managed:	
Total	$183,000,000
Pooled accounts	$183,000,000
Equity real estate assets	$125,000,000
Mortgage assets	$58,000,000
Minimum separate account	$25,000,000
Types of accounts managed	CEFG
No. of portfolio managers	12
Size of research staff	14

Metric Institutional Realty Advisors, a real estate manager, specializes in institutional-grade, garden-style apartment properties. It targets 23 markets identified as having stable demographic, economic, real estate and quality of life environments, with favorable trend indicators.

The asset mix Jan. 1 was 68% equity real estate and 32% mortgages.

The parent is Metric Partners.

Robert A. Fiddaman, president, is chief investment officer and client contact.

Statistically speaking: Aug. 7.

Metropolitan Life Insurance

1 Madison Ave., New York, N.Y.
10010; (212) 578-6287

Total assets managed	$91,367,000,000
Total discretionary assets	$91,367,000,000
Tax-exempt assets managed:	
Total	$41,963,000,000
Pooled accounts	$1,276,000,000
Separate accounts	$368,000,000
GICs	$17,026,000,000
Annuities	$14,458,000,000
Other	$8,835,000,000
401(k)/457 assets managed	$18,200,000,000
Equity real estate assets	$745,000,000
Mortgage assets	$623,000,000
Mortgage-backed assets	$634,000,000
Equity indexed assets	$275,000,000
Dedicated/immunized assets	$3,201,000,000
Minimum separate account	$5,000,000
Tax-exempt clients:	
Pooled	252
Separate	7
Types of accounts managed	CEFJG
No. of portfolio managers	32
Size of research staff	84

Metropolitan Life Insurance Co. is an active and passive equity, active fixed-income, balanced, real estate and short-term manager.

Its active equity approach combines fundamental research and price sensitivity, seeking growth and emerging growth stocks.

Its fixed-income approach is based on interest rate anticipation. Incremental returns are added through analyses of the bond market, yield spreads, sectors and securities.

Its real estate approach is to invest in high-quality, well-located properties with strong income and excellent appreciation potential; to add value through property management; and to diversify properties by type and location.

Additional assets are managed on its behalf by a subsidiary, State Street Research and Management Co.

The separate account asset mix Jan. 1 was 22% equities, 32% cash, and 46% equity real estate.

Robert G. Schwartz, board chairman, is chief investment officer; Harvey M. Young, senior vice president, is client contact.

Metropolitan Trust Co. of Canada

6 Crescent Road, Toronto, Ontario
M4W 3K9; (416) 967-1813

Total assets managed	$4,293,000,000
Tax-exempt assets managed:	
Total	$1,490,000,000
Separate accounts	$1,490,000,000
For subsidiaries of U.S. firms	$0
Mortgage assets	$1,490,000,000
Minimum separate account	$500,000
Tax-exempt clients	400
Types of accounts managed	CEFGU
No. of portfolio managers	10
Size of research staff	65

Metropolitan Trust Co. of Canada, a Canadian firm, is a mortgage banker.

Its originates specific mortgage investments and administers portfolios to meet clients' long- and short-term requirements.

Yield and security are emphasized as well as diversity through syndication.

All tax-exempt assets were in mortgages Jan. 1.

The parent is Metropolitan Life Holdings Ltd.

Juri Koor, chairman and chief executive officer, is chief investment officer.

John D. Donovan, institutional investor services, is client contact.

MFM Capital Management

1400 N. Semoran Blvd., Orlando, Fla.
32807; (407) 282-0700

Total assets managed	$1,000,000
Tax-exempt assets managed	$0
Minimum separate account	$25,000
No. of portfolio managers	1

MFM Capital Management Inc., a passive equity, passive fixed-income, balanced, short-term and options manager, combines interest rate anticipation and sector analysis in its investment approach. Preservation of capital is stressed. Pure equity positions are taken only in issues where no options exist.

Portfolio insurance is offered.

John A. Maffei Jr. is chief investment officer and client contact.

MH & Associates, Securities Management Corp.

21031 Ventura Blvd., Suite 307,
Woodland Hills, Calif. 91364; (818)
704-4633

Total assets managed	$42,000,000
Tax-exempt assets managed:	
Total	$27,000,000
Separate accounts	$27,000,000
Minimum separate account	$500,000
Tax-exempt clients	18
Types of accounts managed	CF
No. of portfolio managers	2

MH & Associates, Securities Management Corp. is a balanced manager.

Its equity approach is top-down asset allocation and sector emphasis. Low p/e, underresearched and institutionally underowned stocks with market capitalization of less than $1 billion are stressed. It uses interest rate anticipation for fixed-income investments.

The asset mix Jan. 1 was 30% equities, 30% bonds and 40% cash.

J. Robert Meichelbock is chief investment officer; John Heilman is client contact.

M&I Investment Management

770 N. Water St., Milwaukee, Wis.
53202; (414) 765-7770

Total assets managed	$3,531,000,000
Tax-exempt assets managed:	
Total	$1,629,000,000
Pooled accounts	$456,000,000
Separate accounts	$1,173,000,000
Minimum separate account	$1,000,000
Tax-exempt clients:	
Pooled	404
Separate	595
Types of accounts managed	CEFJ
No. of portfolio managers	21
Size of research staff	3

M&I Investment Management Corp. is an active equity, active and passive fixed-income, balanced and short-term manager.

Its equity approach is value-oriented. Emphasis is on medium- to large-capitalization companies with strong financial characteristics. Growth companies selling below their average p/e ratios and companies selling at substantial discounts to their intrinsic values are stressed.

Its active fixed-income approach uses intermediate term bonds emphasizing interest rate anticipation and sector analysis within the context of total return.

The asset mix Jan. 1 was 33% equities, 43% bonds, 21% cash and 3% other.

The firm follows 210 stocks closely and 210, generally; 50% of research is generated internally.

The parent is Marshall & Ilsley Corp.

William J. Gumerman, president, is chief investment officer; Judith C. Murphy, vice president, is client contact.

Michigan National Investment Corp.

27777 Inkster Road, Farmington Hills,
Mich. 48333-9065; (313) 473-3478

See entry for MORISON ASSET MANAGEMENT INC.

MidAmerica Management

4333 Edgewood Road N.E., Cedar
Rapids, Iowa 52499; (319) 398-8985

Total assets managed	$3,700,000,000
Tax-exempt assets managed:	
Total	$40,000,000
Separate accounts	$40,000,000
Minimum separate account	$5,000,000
Tax-exempt clients	3
Types of accounts managed	C
No. of portfolio managers	7
Size of research staff	6

MidAmerica Management Corp. is an active equity and active fixed-income manager.

Its equity approach is top-down, emphasizing asset allocation of defined assets and the macroeconomic outlook in determining fundamental investment values. Its fixed-income approach uses interest rate anticipation. Options are used.

The asset mix Jan. 1 was 92% stocks and 8% cash.

The parent is Aegon USA.

Patrick E. Falconio, president, is chief investment officer; Drew E. Washburn, senior financial analyst, is client contact.

Midlantic National Bank

Metro Park Plaza, P.O. Box 600,
Edison, N.J. 08818; (201) 321-8380

Total assets managed	$3,800,000,000
Tax-exempt assets managed:	
Total	$1,400,000,000
Commingled accounts	$320,000,000
Separate accounts	$1,080,000,000
401(k)/457 assets managed	$60,000,000
No. of 401(k)/457 plans	80
Minimum separate account	$5,000,000
Tax-exempt clients:	
Commingled	650
Separate	200
Types of accounts managed	CEFJ
No. of portfolio managers	15
Size of research staff	4

Midlantic National Bank is an active equity, active fixed-income, balanced and short-term manager.

Its equity approach is value-oriented, emphasizing high quality, low p/e ratios, above-average yield and low price to book. Computer screening is used extensively in ranking stocks based on selection criteria. Performance premium primarily results from stock selection rather than sector emphasis.

Its fixed-income approach emphasizes low risk through high-quality portfolios, moderate maturity shift with laddered structure and average maturity ranging between six and 12 years.

The bank follows 60 stocks closely and 100, generally; 50% of research is generated internally.

Clients include Foster Wheeler and Hanson Industries.

The parent is Midlantic Corp.

Jeffrey P. Moody, vice president, is client contact.

Mid-State Capital Management

1130 12th Ave., Altoona, Pa. 16601;
(814) 946-6614

Total assets managed	$500,000,000
Tax-exempt assets managed:	
Total	$160,000,000
Pooled accounts	$123,000,000
Separate accounts	$37,000,000
401(k)/457 assets managed	$25,000,000
No. of 401(k)/457 plans	20
Mortgage-backed assets	$25,000,000
International equity assets	$2,000,000
International fixed-income assets	$2,000,000
Minimum separate account	$1,000,000
Tax-exempt clients:	
Pooled	120
Separate	50
Types of accounts managed	CEFJG
No. of portfolio managers	4
Size of research staff	3

Mid-State Capital Management is an active equity, active fixed-income, balanced, short-term and convertible securities manager.

Its equity approach focuses on low p/e stocks, market timing/tactical asset allocation and quantitative approaches. Its fixed-income approach uses interest rate anticipation and sector analysis. Options are used.

The asset mix Jan. 1 was 25% stocks, 45% bonds, 15% cash and 15% convertibles.

The parent is Keystone Financial Corp.

Ralph J. Davis is chief investment officer and client contact.

Midwest Financial Investment Management

33 N. LaSalle St., Suite 2601,
Chicago, Ill. 60602; (312) 641-3055

Total assets managed	$1,500,000,000
Tax-exempt assets managed:	
Total	$500,000,000
Pooled accounts	$87,000,000
Separate accounts	$413,000,000
Minimum separate account	$500,000
Tax-exempt clients:	
Pooled	313
Separate	673
Types of accounts managed	CEFJ
No. of portfolio managers	7
Size of research staff	5

Midwest Financial Investment Management Co. is an active equity, active fixed-income, balanced and tactical asset allocation manager.

Its equity approach leans heavily upon quantitative analysis to identify stocks with low p/e ratios, rising consistent earning estimate and superior relative price trends at the industry and company level.

Its fixed-income approach is highly structured, de-emphasizing market timing and focusing on risk control relative to benchmark. Strong emphasis is placed on identifying value within sector and individual securities.

The asset mix Jan. 1 was 32% equities, 67% bonds and 1% cash.

The parent is Midwest Financial Group Inc.

John P. MacIver, president and chief executive officer, is chief investment officer; Thomas J. Slefinger and Timothy M. Stevenson, vice presidents and directors of fixed-income and equity investments, respectively, are client contacts.

MIG Realty Advisors Inc.

1645 Palm Beach Lakes Blvd., West
Palm Beach, Fla. 33401; (407)
686-1800

Total assets managed	$1,095,000,000
Tax-exempt assets managed:	
Total	$1,095,000,000
Pooled accounts	$307,000,000
Separate accounts	$788,000,000
Equity real estate assets	$1,095,000,000
Minimum separate account	$5,000,000
Tax-exempt clients:	
Pooled	8
Separate	6
Types of accounts managed	CG
No. of portfolio managers	2
Size of research staff	3

MIG Realty Advisors Inc. invests in core real estate in less competitive metropolitan statistical areas on a moderately leveraged basis.

All assets Jan. 1 were in equity real estate.

The parent is MIG Cos.

Clients include Detroit Police and Fire, Detroit General Retirement, Philadelphia Police and Fire and Allied-Signal.

Larry E. Wright, executive vice president, is chief investment officer; Charles E. Allen, vice president, is client contact.

Miller, Anderson & Sherrerd

2 Bala Plaza, Bala Cynwyd, Pa.
19004; (215) 668-0850

Total assets managed	$16,153,000,000
Tax-exempt assets managed:	
Total	$15,862,000,000
Pooled accounts	$1,186,000,000
Separate accounts	$14,676,000,000
401(k)/457 assets managed	$20,000,000
No. of 401(k)/457 plans	5
Mortgage-backed assets	$2,696,000
International equity assets	$65,000,000
Minimum separate account	$35,000,000
Tax-exempt clients:	
Pooled	1
Separate	101
Types of accounts managed	CEFJG
No. of portfolio managers	18
Size of research staff	9

Miller, Anderson & Sherrerd is an active equity, active fixed-income, balanced, active international equity and short-term manager.

Its equity approach focuses on a disciplined valuation process and investment strategy that combines fundamental, quantitative analytical techniques, low p/e stocks and sector rotation.

Its fixed-income approach encompasses definition of benchmark duration range, maturity/duration management, yield curve analysis and sector/security selection. Securities are used to reduce overall portfolio risk, provide a real rate of return and protect against disinflation.

The asset mix Jan. 1 was 38% equities, 21% bonds, 24% cash and 17% mortgage-backed securities.

Clients include Pennsylvania Employes, IBM, Johns Hopkins and IBM.

Paul F. Miller, partner, is chief investment officer; Tracey H. Ivey is client contact.

Mississippi Valley Advisors

P.O. Box 387, St. Louis, Mo. 63166;
(314) 425-3823

Total assets managed	$3,100,000,000
Tax-exempt assets managed:	
Total	$3,100,000,000
Pooled accounts	$200,000,000
Separate accounts	$2,900,000,000
Mortgage-backed assets	$300,000,000
Equity indexed assets	$45,000,000
Dedicated/immunized assets	$900,000,000
Minimum separate account	$3,000,000
Tax-exempt clients:	
Pooled	45

Separate	280
Types of accounts managed	CEFJG
No. of portfolio managers	11
Size of research staff	7

Mississippi Valley Advisors Inc. is an active and passive equity, active and passive fixed-income, balanced and short-term manager.

Its primary equity approach is quantitative. Fundamental research is employed using a valuation model and screens comparing historical relative price to book ratios, estimated total earnings over one and three years based on projected corporate earnings and relative p/es, and its dividend discount model.

Its primary fixed-income approach provides enhanced value and sector allocation based on quantitative spread analysis as well as internal credit research.

The asset mix Jan. 1 was 20% stocks, 55% bonds, 15% cash and 10% mortgage-backed securities.

The firm follows 75 stocks closely and 300, generally; 60% of research is generated internally.

The parent is Mercantile Bank.

John H. Blixen II is chief investment officer; Ray C. Hayes, director of marketing, is client contact.

Mitchell Hutchins

1285 Avenue of the Americas, New
York, N.Y. 10019 (212) 713-4000

Total assets managed	$30,297,000,000
Tax-exempt assets managed	
Total	$13,630,000,000
Pooled accounts	$7,000,000
Separate accounts	$13,623,000,000
401(k)/457 assets managed	$7,000,000
No. of 401(k)/457 plans	1
Mortgage assets	$62,000,000
Mortgage-backed assets	$361,000,000
International equity assets	$6,000,000
Equity indexed assets	$353,000,000
Fixed-income indexed assets	$5,070,000,000
Dedicated/immunized assets	$878,000,000
Minimum separate account	$10,000,000
Tax-exempt clients	
Pooled	1
Separate	558
Types of accounts managed	CEFJG
No. of portfolio managers	50
Size of research staff	13

Mitchell Hutchins is an active and passive equity, active and passive fixed-income, balanced, active international equity, active international fixed-income, short-term and venture capital manager.

The firm offers a broad variety of equity products including quantitative, small-cap, indexed, growth and other special equity products.

In fixed income, it offers several specialized products.

Options are used.

The asset mix Jan. 1 was 16% equities, 57.9% bonds, 23% cash, 0.5% mortgages and 2.6% mortgage-backed securities.

The parent is PaineWebber.

Clients include NYNEX, Ford, Westinghouse and Manufacturers Hanover.

A. Edward Allinson, president, is chief investment officer; Cheryl K. Gruetzmacher, managing director, is client contact.

MLP Advisory

6191 Lakeview Circle, San Ramon,
Calif. 94583; (415) 277-0112

Total assets managed	$5,000,000
Tax-exempt assets managed	
Total	$2,000,000
Separate accounts	$2,000,000
International equity assets	$1,000,000
Minimum separate account	$100,000
Tax-exempt clients	10
Types of accounts managed	CJ
No. of portfolio managers	1
Size of research staff	1

MLP Advisory, formerly MLP Capital Formation, is an active and passive equity, passive fixed-income, passive international equity, short-term and GIC manager.

In equities, the firm is an asset hunter, focusing on resources-related companies and companies with undervalued assets. Emerging growth companies are targeted. Its fixed-income approach uses interest rate anticipation.

The asset mix Jan. 1 was 15% equities, 38% bonds, 24% cash and 23% GICs.

Michael J. Perlman is chief investment officer and client contact.

Monmouth Capital Management Inc.

990 Highland Drive, Suite 212M,
Solana Beach, Calif. 92075; (619)
792-7097

Total assets managed	$0
Minimum separate account	$500,000
No. of portfolio managers	1

Monmouth Capital Management Inc. specializes in managed futures, covering a broad spectrum of contracts on general commodities, stock indexes and currencies. The firm operates on a "manager of manager" concept, selecting and monitoring independent futures and investment advisers.

David M. Love, president, is chief investment officer and client contact.

Montag & Caldwell Inc.

2 Piedmont Center, Suite 500, Atlanta,
Ga. 30326; (404) 262-3460

Total assets managed	$645,000,000
Tax-exempt assets managed	
Total	$424,000,000
Separate accounts	$424,000,000
401(k)/457 assets managed	$1,000,000
No. of 401(k)/457 plans	1
Minimum separate account	$5,000,000
Tax-exempt clients	58
Types of accounts managed	CEFJG
No. of portfolio managers	7
Size of research staff	3

Montag & Caldwell Inc. is an active equity, active fixed-income and balanced manager.

For equities, it takes a bottom-up valuation approach that interrelates earnings momentum. Its fixed-income approach is based on duration management, maximizing the probability of outperforming the market within an expected range of rate movement by adjusting maturity, coupon and issuer.

The asset mix Jan. 1 was 48% equities, 38% bonds and 14% cash.

Clients include Multimedia, Goldkist, Alexander & Alexander Services and American Business Products.

Ronald E. Canakaris, president, is chief investment officer; Homer W. Whitman Jr., vice president, is client contact.

Montreal Investment Management

1130 Sherbrooke St. W., Sixth Floor,
Montreal, Quebec; (514) 286-4500

See entry for AMI ASSET MANAGEMENT INTERNATIONAL INC.

Montrusco Associates Inc.

1000 Sherbrooke St. W., Suite 2300,
Montreal, Quebec H3A 3G4; (514)
842-6464

Total assets managed	$1,808,000,000
Tax-exempt assets managed	
Total	$1,054,000,000
Pooled accounts	$42,000,000
Separate accounts	$1,012,000,000
For subsidiaries of U.S. firms	$0
Non-North American equities	$33,000,000
Minimum separate account	$1,000,000
Tax-exempt clients	
Pooled	24
Separate	49
Types of accounts managed	CEFGU
No. of portfolio managers	12

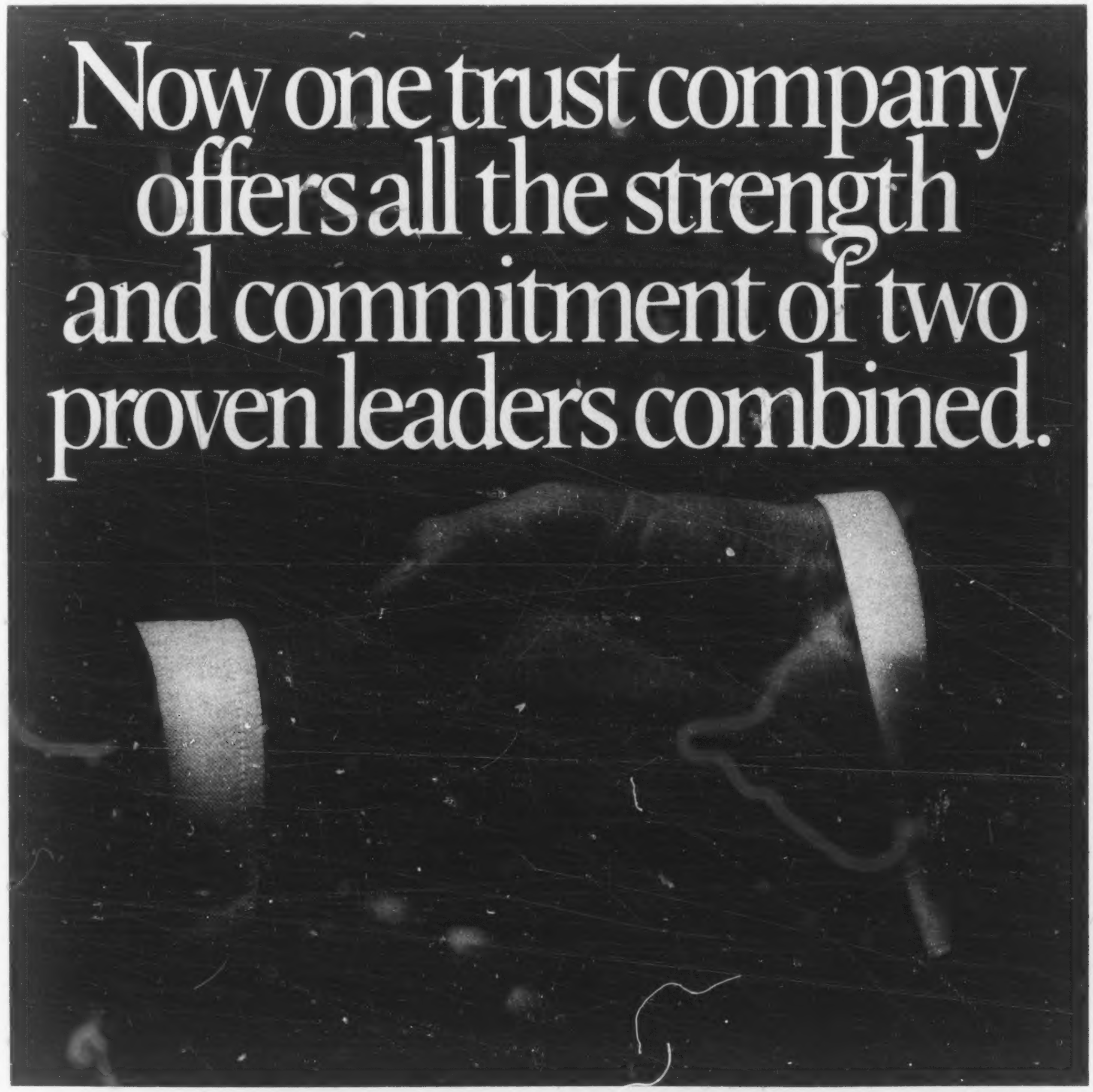
Montrusco Associates Inc., a Canadian firm, is an active equity, active fixed-income, balanced, real estate, active international equity and short-term manager.

Its equity approach is based on business cycle analysis, with stock selection generated from a multivariable quantitative approach highlighting total expected return.

Its fixed-income approach uses a process that involves scenario identification, quarterly probability weighted expected interest rate forecasting and rigorous spread analysis.

The asset mix Jan. 1 was 35.5% Canadian stocks, 6.1% U.S. stocks, 45.3% bonds, 10.5% cash and 2.6% foreign stocks.

It follows 150 stocks closely and 225, generally; 50% of research is generated internally.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Security Trust

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Montreal Trusco Inc. holds a controlling interest in the firm.

Andre Marsan, president and chief executive officer, is chief investment officer and client contact.

MONY Financial Services

4 Manhattanville Road, Purchase, N.Y.
10577; (914) 697-8508

Total assets managed	$24,436,000,000
Total discretionary assets	$20,274,000,000
Tax-exempt assets managed	
Total	$7,907,000,000
Pooled accounts	$690,000,000
Separate accounts	$1,788,000,000
GICs	$2,106,000,000
Other	$3,323,000,000
401(k)/457 assets managed	$400,000,000
No. of 401(k)/457 plans	400
Equity real estate assets	$13,000,000
Mortgage assets	$2,200,000,000
Minimum separate account	$10,000,000
Tax-exempt clients	
Separate	8
Types of accounts managed	CEFJG
No. of portfolio managers	11

MONY Financial Services is an active equity, active fixed-income, balanced, real estate, tactical asset allocation and short-term manager.

Its equity approach seeks long-term capital growth by investing in stocks with above-average earnings growth. Its fixed-income approach uses interest rate anticipation. Options and financial futures are used.

Its real estate approach is long-term, concentrating on direct ownership of income-producing properties. The portfolio is diversified by location and property type.

The separate account asset mix Jan. 1 was 60% equities, 16% bonds, 17% ash, 2% equity real estate and 5% timber.

The parent is The Mutual Life Insurance Co. of New York.

Floyd L. Smith, executive vice president, is chief investment officer; Joseph Masterson, divisional vice president, is client contact.

Moore, Grossman & deRose

545 Madison Ave., New York, N.Y.
10022; (212) 593-5310

Total assets managed	$135,000,000
Tax-exempt assets managed	
Total	$73,000,000
Separate accounts	$73,000,000
401(k)/457 assets managed	$3,000,000
No. of 401(k)/457 plans	2
Minimum separate account	$500,000
Tax-exempt clients	70
Types of accounts managed	CF
No. of portfolio managers	3
Size of research staff	1

Moore, Grossman & deRose Inc. is an active equity, balanced and arbitrage manager.

Its primary equity approach is based on Graham & Dodd analysis. The firm purchases equity securities of midsize established growing companies that are substantially undervalued on a real asset value or fundamental strength basis.

The asset mix Jan. 1 was 75% equity, 5% cash and 20% arbitrage.

The parent is Brookehill Partners Inc.

Clients include H.E. Butt.

Robert deRose is chief investment officer; Mr. deRose and Walter S. Grossman are client contacts.

Moran Asset Management

41 W. Putnam Ave., Greenwich, Conn.
06830; (203) 869-5100

Total assets managed	$330,000,000
Tax-exempt assets managed:	
Total	$300,000,000
Separate accounts	$300,000,000
Minimum separate account	$10,000,000
Tax-exempt clients	8
Types of accounts managed	CEFJ
No. of portfolio managers	4
Size of research staff	8

Moran Asset Management Inc., an active equity manager, invests in companies with superior fundamental strengths that are medium size, established, successful and growing, where equity securities are substantially undervalued on a real asset value basis.

All assets Jan. 1 were in equity.

The firm follows 125 stocks closely and 125, generally; all research is generated internally.

Frederick A. Moran, president, is chief investment officer; Patrick Sheahan and Richard Bernstein, vice presidents, are client contacts.

J.P. Morgan Investment Management Inc.

522 Fifth Ave., New York, N.Y. 10036;
(212) 837-2300

Total assets managed	$53,581,000,000
Tax-exempt assets managed	
Total	$53,000,000,000
Equity real estate assets	$1,500,000,000
Mortgage assets	$700,000,000
Mortgage-backed assets	$2,600,000,000
International equity assets	$2,100,000,000
International bond assets	$1,100,000,000
Dedicated/immunized assets	$7,100,000,000
Tax-exempt clients	485
Types of accounts managed	CEFJG
No. of portfolio managers	47
Size of research staff	27

J.P. Morgan Investment Management Inc. offers active equity, active fixed-income, balanced, tactical asset allocation, real estate, active international equity and fixed-income, short-term, convertible and oil and gas manager.

Its equity approach is a focused internal analytical effort combined with disciplined valuation and portfolio construction. Stock selection is the most important element. In fixed income, the emphasis is on interest rate anticipation, with sector and yield spread analysis providing incremental return and lowering volatility. Options and financial futures are used.

Its real estate approach is to make direct investments in special-situation projects that provide high current income, cash flow growth potential and high residual property appreciation.

The asset mix Jan. 1 was 34% equity, 39% bonds, 10% cash, 3% equity real estate, 1% mortgages, 5% mortgage-backed securities, 2% convertibles, 4% international equities and 2% international fixed-income.

Portfolio insurance is provided to nine clients and covers $1.7 billion in U.S. tax-exempt discretionary assets.

The parent is J.P. Morgan & Co.

C. Nicholas Potter, president, is chief investment officer; John R. Thomas, managing director, is client contact.

Morgan Grenfell Capital Management Inc.

885 Third Ave., New York, N.Y. 10022;
(212) 230-2600

Total assets managed	$524,000,000
Tax-exempt assets managed	
Total	$449,000,000
Separate accounts	$449,000,000
Minimum separate account	$10,000,000
Tax-exempt clients	15
Types of accounts managed	CEFG
No. of portfolio managers	5

Morgan Grenfell Capital Management Inc., an active equity manager, uses a bottom-up approach to identify attractive emerging growth companies (with market capitalizations of $50 million to $500 million) and a top-down approach to select economic sectors.

The asset mix Jan. 1 was 98% equities and 2% cash.

The firm follows 500 stocks closely and 1,800, generally; 80% of the research is generated internally.

The parent is Morgan Grenfell Asset Management Ltd.

Clients include PacTel, New York State Teachers, Andrew Mellon Foundation and TVA.

Robert E. Kern is chief investment officer; James E. Minnick, executive vice president, is client contact.

Morgan Grenfell Investment Services Ltd.

46 New Broad St., London, EC2M
1NB U.K.; 01-256-7500

Total assets managed	$2,942,000,000
Tax-exempt assets managed:	
Total	$2,450,000,000
Pooled accounts	$116,000,000
Separate accounts	$2,334,000,000
International equity assets	$1,838,000,000
International bond assets	$227,000,000
International cash assets	$385,000,000
Minimum separate account	$15,000,000
Tax-exempt clients:	
Separate	40
Types of accounts managed	CFG
No. of portfolio managers	9
Size of research staff	12

Morgan Grenfell Investment Services Ltd. is an active international equity, active international fixed-income and international balanced manager.

Its equity approach uses growth stocks, low p/e stocks and market timing. Equal emphasis is placed on market and stock selection. No investments are made without considering the currency impact.

Its fixed-income approach combines active management of currencies, bond markets and maturities. Currency and bond market exposure decisions are separated through currency hedging.

The asset mix Jan. 1 was 75% equity, 10% bonds and 15% cash.

The parent is Morgan Grenfell Asset Management Ltd.

Clients include GM, Owens-Illinois, Colorado Employees and IBM.

Michael Bullock is chief investment officer; James E. Minnick, executive vice president of Morgan Grenfell Capital Management, is the client contact at (212) 230-2600.

Morgan Stanley Asset Management

1221 Avenue of the Americas, New
York, N.Y. 10020; (212) 296-7200

Total assets managed	$15,014,000,000
Tax-exempt assets managed	
Total	$12,069,000,000
Pooled accounts	$48,000,000
Separate accounts	$12,021,000,000
Mortgage-backed assets	$2,472,000,000
International equity assets	$364,000,000
International bond assets	$1,024,000,000
International cash assets	$104,000,000
Dedicated/immunized assets	$507,000,000
Minimum separate equity account	$10,000,000
Minimum separate bond account	$50,000,000
Tax-exempt clients	
Pooled	4
Separate	254
Types of accounts managed	CEFJG
No. of portfolio managers	31
Size of research staff	3

Morgan Stanley Asset Management is an active equity, active fixed-income, balanced, active international equity, active international fixed-income and short-term manager.

Its primary equity approach combines market sector allocation with a growth- and value-oriented selection process. Top-down and bottom-up elements are used.

Its fixed-income approach concentrates on active maturity shifting, with short- and intermediate-term holdings comprising the portfolio core. Long-term bonds are used opportunistically.

The asset mix Jan. 1 was 35% equity, 42% bonds, 3% cash and 20% mortgage-backed securities.

The parent is Morgan Stanley Group Inc.

In addition to the assets above, Morgan Stanley Asset Management is fiduciary for $8.613 billion in tax-exempt assets.

Barton M. Biggs is chairman and chief investment officer. The client contacts are Perry E. Hall II, principal, and Robert P. Fullert and Gail Hunt Reeke, vice presidents.

Morgan Stanley Asset Management/The Chicago Group

440 S. LaSalle St., Chicago, Ill. 60605;
(312) 765-6035

Total assets managed	$436,000,000
Tax-exempt assets managed:	
Total	$269,000,000
Separate accounts	$269,000,000
Minimum separate account	$10,000,000
Tax-exempt clients	37
Types of accounts managed	CEFJG
No. of portfolio managers	5
Size of research staff	1

Morgan Stanley Asset Management/The Chicago Group is an active equity, balanced and short-term manager.

The firm takes a classical value approach to equities; portfolios always have a lower-than-market p/e ratio and price-to-book ratio with higher-than-market yield.

Its fixed-income approach emphasizes high-quality liquid bonds and takes advantage of anomalies in the one- to seven-year maturity range of the yield curve.

The parent is Morgan Stanley Asset Management.

Clients include Lord, Bally, Owens-Corning Fiberglas and Firestone.

Thomas S. White Jr., principal, is chief investment officer; Michael A. Crowe, vice president, is client contact.

Morguard Investments Ltd.

1027 Yonge St., Toronto, Ontario
M4W 3E8; (416) 967-0880

Total assets managed	$1,150,000,000
Tax-exempt assets managed	
Total	$1,150,000,000
Separate accounts	$1,150,000,000
For subsidiaries of U.S. firms	$0
Equity real estate assets	$1,150,000,000
Tax-exempt clients	36
Types of accounts managed	CG

Morguard Investments Ltd., a Canadian firm, is a real estate manager.

Its investment philosophy is to acquire or develop only high-quality, income-producing properties suitable for pension fund investment. Assets are diversified by property type and location. While the firm aggressively pursues above-average returns from its investments, its primary concern is the safeguarding of assets.

All tax-exempt assets were in equity real estate Jan. 1.

Clients include Air Canada, Ontario Hospital Association, Alberta Government Telephones and Imperial Oil.

The parent is Metropolitan Life/Canada.

A.K. "Tony" Stephens, president, is chief investment officer; W.A. "Tony" Houghton, senior vice president-investments, is client contact.

Morison Asset Management

1201 Marquette Ave., P.O. 3709,
Minneapolis, Minn. 55403; (612)
332-1588
27777 Inkster Road, Farmington
Hills, Mich. 48333-9065; (313)
473-3478

Total assets managed	$1,400,000,000
Tax-exempt assets managed	
Total	$836,000,000
Pooled accounts	$68,000,000
Separate accounts	$768,000,000
401(k)/457 assets managed	$100,000,000
No. of 401(k)/457 plans	20
Minimum separate account	$250,000
Tax-exempt clients:	
Pooled	333
Separate	411
Types of accounts managed	CEFJG
No. of portfolio managers	13
Size of research staff	2

Morison Asset Management is an active equity, active fixed-income, balanced, active international equity and GIC manager.

Its equity approach emphasizes asset allocation over business and interest rate cycles based on absolute potential/risk analysis. Allocation is driven by availability of quality issues using a core list of fast growing companies. In fixed income, it takes advantage of yield curve analysis to increase yield and control maturity and duration.

The asset mix Jan. 1 was 35% stocks, 50% bonds and 15% cash.

Michigan National Investment Corp. has merged with the firm.

The parent is Michigan National Corp.

Richard B. Hume is chief investment officer; Ron Halverson, senior vice president, is client contact in Minneapolis.

Morley Capital Management

5285 S.W. Meadows Road, Suite 400,
Lake Oswego, Ore. 97035; (503)
635-5414 or (800) 548-4806

Total assets managed	$4,200,000,000
Tax-exempt assets managed:	
Total	$4,200,000,000
Pooled accounts	$1,638,000,000
Separate accounts	$2,562,000,000
401(k)/457 assets managed	$1,806,000,000
No. of 401(k)/457 plans	17
Minimum separate account	$10,000,000
Tax-exempt clients:	
Pooled	19
Separate	35
Types of accounts managed	CEFJG
No. of portfolio managers	3
Size of research staff	3

Morley Capital Management Inc., a GIC manager, seeks to provide a predictable maximum rate of return while preserving the safety of capital and avoiding market risk.

All tax-exempt assets Jan. 1 were in GICs.

25 largest managers of dedicated/immunized bond portfolios

Firm	$ mils.*
New York Life	7,296
J.P. Morgan	7,100
Prudential Asset	5,187
Nat'l Investment Services	4,742
Bankers Trust	3,738
Pacific Financial	3,712
Metropolitan Life	3,201
CIGNA Asset	2,317
GE Investments	2,000
Wells Fargo	1,751
Mellon Bond	1,560
Chase Investors	1,500
Mutual Benefit Life	1,474
Southwestern Life	1,000
Lincoln Capital	940
First Wisconsin Trust	909
Mississippi Valley	900
Allstate Life	885
Mitchell Hutchins	878
Aon Advisors	864
AMR Investment	854
Nat'l Bank/Detroit	820
Crown Life	780
Ward & Wiesner	765
Putnam	756
TOTAL	55,929

* discretionary, tax-exempt assets

All research is generated internally.

The parent is Morley Finacial Services Inc.

Clients include Alcoa, Capital Trust Co., GCIU Employer Retirement Fund and Occidental Petroleum.

Harold H. Morley, president, is chief investment officer; Peter L. Jurney, vice president-marketing, is client contact.

Mt. Auburn Management

79 Milk St., Boston, Mass. 02109;
(617) 423-7707

Total assets managed	$32,000,000
Tax-exempt assets managed	
Total	$26,000,000
Separate accounts	$26,000,000
Minimum separate account	$5,000,000
Tax-exempt clients	3
Types of accounts managed	CEF
No. of portfolio managers	1

Mt. Auburn Management, an active equity manager, looks for change, usually in growth rates, in larger and smaller companies. Portfolios are extremely concentrated so market correlation is very low. Options and stock index futures are used.

The asset mix Jan. 1 was 90% equity and 10% cash.

The firm follows 25 stocks closely and 100, generally; 50% of research is generated internally.

Clients include Kerr-McGee and Taconic Foundation.

Alan J. Dworsky is chief investment officer and client contact.

Mount Lucas Management

100 Palmer Square, Princeton, N.J.
08540; (609) 924-8868

Total assets managed	$250,000,000
Tax-exempt assets managed:	
Total	$250,000,000
Separate accounts	$250,000,000
Minimum separate account	$30,000,000
Tax-exempt clients	1
Types of accounts managed	C
No. of portfolio managers	9
Size of research staff	4

Mount Lucas Management Corp., a commodity futures manager, forms a futures investment portfolio by allocating capital based on internal research and its proprietary approach to design technology.

The portfolio employs a mix of approaches with different trading characteristics to ensure balance and good performance in varying market environments. The portfolio incorporates trading in all major futures markets.

Frank L. Vannerson, chairman, is chief investment officer; Grant W. Schaumburg Jr., president, is client contact.

Mount Vernon Associates

16 E. Eager St., Baltimore, Md. 21202;
(301) 539-5588

Total assets managed	$311,000,000
Tax-exempt assets managed:	
Total	$290,000,000

Separate accounts	$290,000,000
Minimum separate account	$500,000
Tax-exempt clients	13
Types of accounts managed	CEFJG
No. of portfolio managers	4

Mount Vernon Associates Inc. is an active equity, active fixed-income, balanced and short-term manager.

Its equity approach is top-down emphasizing growth and low p/e stocks and sector rotation. The firm uses an alternative investment method with a quantitative model for avoiding risk.

Its fixed-income approach focuses on interest rate anticipation and high-quality marketable issues.

Options are used.

The asset mix Jan. 1 was 55.1% equity, 20.5% bonds and 24.4% cash.

The firm follows 50 stocks closely and 150, generally; 60% of research is generated internally.

Clients include Arlington County, AEP, Warner-Lambert and University of Maryland.

William J. Heffner, president, is chief investment officer and client contact.

MPT Associates Inc.

630 Fifth Ave., Suite 2670, New York,
N.Y. 10111; (212) 247-5858

Total assets managed	$1,036,000,000
Tax-exempt assets managed	
Total	$870,000,060
Separate accounts	$870,000,000
Minimum separate account	$1,000,000
Tax-exempt clients	26
Types of accounts managed	CF
No. of portfolio managers	4
Size of research staff	2

MPT Associates Inc. is an active equity, passive fixed-income and balanced manager.

Its equity approach is quantitative and goal-oriented. Its primary fixed-income approach is passive, with investment-grade portfolios constructed around the Shearson Lehman Government/Corporate Bond Index.

The parent is Lincoln National Corp.

Clients include Sisters of the Holy Cross, American Chemical Society, Samuels Foundation and Ironworkers Locals 40, 361 and 417.

Gerald L. Goodwin, president, is chief investment officer; F. Allen Dudley, vice president, is client contact.

MRealty Corp

1717 Main St., Dallas, Texas 75201;
(214) 290-3470

Total assets managed	$330,000,000
Tax-exempt assets managed	
Total	$77,000,000
Separate accounts	$77,000,000
Equity real estate assets	$77,000,000
Minimum separate account	$1,000,000
Tax-exempt clients	77
Types of accounts managed	CEF

MRealty Corp., a real estate manager, focuses on properties that are not under intense price competition — with yields better than 9% — yet pass strict criteria of growth demographics, stable area, high occupancy, credit tenants and excellent construction.

All tax-exempt assets Jan. 1 were in equity real estate.

The parent is MCorp.

Clients include Dallas Transit System, DFW Airport Board and Lone Star Distributing.

Frank W. Tilley is chief investment officer and client contact.

MSecurities Corp.

P.O. Box 655415, Dallas, Texas
75265-5415; (214) 290-3452

Total assets managed	$1,503,000,000
Tax-exempt assets managed	
Total	$988,000,000
Pooled accounts	$568,000,000
Separate accounts	$420,000,000
Minimum separate account	$5,000,000
Tax-exempt clients	
Pooled	710
Separate	18
Types of accounts managed	CEFG
No. of portfolio managers	4
Size of research staff	2

MSecurities Corp. is an active equity, active fixed-income and balanced manager.

Its equity approach combines growth stocks and sector rotation. Its fixed-income approach is top-down and uses financial statistics research to establish interest rates. Options are used.

The asset mix Jan. 1 was 35% equities, 35% bonds and 30% cash.

The firm follows 125 stocks closely and 300, generally; 50% of research is generated internally.

The parent is MCorp.

Clients include Dallas, Home Interiors, Centex and Southwestern Public Service.

Hilton Hemphill is chief investment officer; Steven Gold, vice president, is client contact.

MSR Advisors Inc.

80 Maiden Lane, New York, N.Y.
10038; (212) 422-8040

Total assets managed	$50,000,000
Tax-exempt assets managed	
Total	$12,000,000
Separate accounts	$12,000,000
Minimum separate account	$3,000,000
Tax-exempt clients	1
Types of accounts managed	G
No. of portfolio managers	1
Size of research staff	4

MSR Advisors Inc. is an active equity and active fixed-income manager.

In equity, the firm uses a proprietary technical approach to stock selection based on mathematical study of price movement patterns of S&P 500 stocks. Its fixed-income approach uses anticipatory timing based on price cyclicality of U.S. Treasuries.

The asset mix Jan. 1 was 95% equity and 5% cash.

The parent is Piedmont Management Co.

Frank A. Peluso is chief investment officer; John D. Mathai is client contact.

MT Associates

67 Yonge St., Suite 1000, Toronto,
Ontario M5E 1J8; (416) 860-0616

Total assets managed	$1,700,000,000
Tax-exempt assets managed	
Total	$1,360,000,000
Pooled accounts	$300,000,000
Separate accounts	$1,060,000,000
For subsidiaries of U.S. firms	$1,210,000,000
Equity indexed assets	$7,000,000
Dedicated/immunized assets	$140,000,000
Minimum separate account	$10,000,000
Tax-exempt clients	
Pooled	61
Separate	46
U.S. subsidiaries	74
Types of accounts managed	CEFGU
No. of portfolio managers	11
Size of research staff	3

MT Associates, a Canadian firm, is an active and passive equity, active fixed-income, balanced, active international equity and short-term manager.

Its equity approach is disciplined and value-oriented, using proprietary screens and systems as well as extensive internal research to identify undervalued stocks.

Its fixed-income approach uses a low-risk, duration-based strategy combined with active exploitation of market inefficiencies.

The asset mix Jan. 1 was 43% Canadian stocks, 5% U.S. stocks, 46% bonds and 6% cash.

Montreal Trust owns 51% of the firm.

Alex Wilson, principal, is chief investment officer; Keith Lupton, principal, is client contact.

MTrust Corp.

P.O. Box 2320, Dallas, Texas
75221-2320; (214) 290-5605

Total assets managed	$7,787,000,000
Tax-exempt assets managed	$1,418,000,000
401(k)/457 assets managed	$225,000,000
No. of 401(k)/457 plans	120
Equity real estate assets	$28,000,000
International equity assets	$9,000,000
International bond assets	$17,000,000
Minimum separate account	$5,000,000
Tax-exempt clients	1,450
Types of accounts managed	CFG
No. of portfolio managers	13

MTrust Corp. is an active equity, active fixed-income, balanced, real estate, tactical asset allocation, active international equity and fixed-income, guaranteed contract and short-term manager.

In equities, it uses multiple investment styles, including rotational growth in both large- and small-cap stocks, an international growth fund and a value-oriented fund.

Its fixed-income approach is active, emphasizing interest rate anticipation. Its also uses laddered maturities to take advantage of the yield curve.

Its real estate approach concentrates on investment-grade, income-producing properties; appreciation is also a consideration.

The asset mix Jan. 1 was 37% stocks, 25% bonds, 36% cash and 2% equity real estate; $1.1 billion is managed on its behalf by MSecurities.

The parent is MCorp.

Clients include Texas Utilities, Southwest Airlines, Southwest Public Service and Texas Eastern.

Hilton Hemphill is chief investment officer. The client contacts are Paul Olschwanger in Dallas and Marshall Shanklin in Houston at (713) 751-6673.

Mu-Cana Investment Counselling

227 King St. S., Waterloo, Ontario N2J
4C5; (519) 888-2750

Total assets managed	$4,342,000,000
Tax-exempt assets managed	
Total	$3,562,000,000
Pooled accounts	$699,000,000
Separate accounts	$2,863,000,000
For subsidiaries of U.S. firms	$391,000,000
Dedicated/immunized assets	$85,000,000
Minimum separate account	$8,000,000
Tax-exempt clients	
Separate	102
U.S. subsidiaries	19
Types of accounts managed	CEFGU

Mu-Cana Investment Counselling, a Canadian firm, is a balanced manager that accepts only Canadian balanced fund accounts.

A top-down approach is followed for asset mix. Equity selection is based on fundamental value analysis; bond selection is based on interest rate anticipation and duration targeting. Trading activity tends to be below average.

The asset mix Jan. 1 was 30% Canadian stocks, 10% U.S. stocks, 55% bonds and 5% cash.

It follows 100 stocks closely and 300, generally; 75% of research is generated internally.

The parent is The Mutual Group.

H.E. "Ted" Brough is chief investment officer; David M. Paleczny is client contact.

Muhlenkamp & Co. Inc.

12300 Perry Highway, Wexford, Pa.
15090; (412) 935-5520

Total assets managed	$30,000,000
Tax-exempt assets managed	
Total	$16,000,000
Separate accounts	$16,000,000
Minimum separate account	$200,000
Tax-exempt clients	24
Types of accounts managed	CEFG
No. of portfolio managers	1
Size of research staff	1

Muhlenkamp & Co. Inc. is an active equity, active fixed-income and balanced manager.

Its equity approach emphasizes low p/e stocks and Graham & Dodd analysis. Its fixed-income approach is based on interest rate anticipation.

The asset mix Jan. 1 was 80% eq-

—Jacques Bouhet,
General Manager – USA
Société Générale

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MONY FINANCIAL SERVICES

uity, 15% bonds and 5% cash.

The firm follows 150 stocks closely and 1,700, generally; 70% of research is generated internally.

Ronald H. Muhlenkamp is chief investment officer and client contact.

Munder Capital Management

260 E. Brown St., Suite 100,
Birmingham, Mich. 48009; (313) 647-9200

Total assets managed	$1,610,000,000
Tax-exempt assets managed:	
Total	$1,445,000,000
Separate accounts	$1,445,000,000
Dedicated/immunized assets	$128,000,000
Minimum separate account	$5,000,000
Tax-exempt clients	79
Types of accounts managed	CEFJG
No. of portfolio managers	7
Size of research staff	1

Munder Capital Management Inc. is an active equity, active and passive fixed-income and balanced manager.

Its equity approach emphasizes demonstrated growth, low p/es and financially stable balanced sheets in a bottom-up, disciplined style to identify companies with superior fundamental and value characteristics.

In fixed income, it avoids forecasting interest rates and maximizes returns using active and quantitative methodologies that analyze effective duration, convexity, sectors and the yield curve.

The asset mix Jan. 1 was 17% equity, 69% bonds, 10% cash and 4% convertibles.

The firm follows 150 stocks closely and 5,000, generally; 85% of research is generated internally.

Clients include Kentucky Employees, Detroit Police, Fire and General Accounts, Ross Roy and Fruehauf.

Lee P. Munder, president, is chief investment officer; Elyse G. Essick, director of client services, is client contact.

Mutual of America Life Insurance Co.

666 Fifth Ave., New York, N.Y. 10103;
(212) 399-1600

Total assets managed	$3,965,000,000
Total discretionary assets	$3,965,000,000
Tax-exempt assets managed:	
Total	$3,965,000,000
Pooled accounts	$519,000,000
GICs	$128,000,000
Other	$3,318,000,000
401(k)/457 assets managed	$109,000,000
No. of 401(k)/457 plans	53
Mortgage assets	$75,000,000
Mortgage-backed assets	$117,000,000
Types of accounts managed	CEFG
No. of portfolio managers	5
Size of research staff	4

Mutual of America Life Insurance Co. is an active equity, active fixed-income, balanced and short-term manager.

Its equity approach is to emphasize companies with above-average earnings prospects. Its fixed-income approach uses interest rate anticipation and sector analysis, taking advantage of changing opportunities in market relationships. Options are used.

The separate account asset mix Jan. 1 was 76.2% equities, 18.7% bonds, 4.3% cash and 0.8% other.

The insurer follows 150 stocks closely and 300, generally; 50% of research is generated internally.

Clients include the American Cancer Society, Girl Scouts of America and United Way.

Joan M. Casson and Roger Ferrara are chief investment officers; Howard Lichtenstein is client contact.

Mutual Benefit Life Insurance Co.

520 Broad St., Newark, N.J. 07101;
(201) 481-8600

Total assets managed	$10,639,000,000
Total discretionary assets	$10,639,000,000
Tax-exempt assets managed:	
Total	$5,743,000,000
Pooled accounts	$261,000,000
Separate accounts	$32,000,000
GICs	$2,443,000,000
Annuities	$153,000,000
Other	$2,854,000,000
401(k)/457 assets managed	$79,000,000
No. of 401(k)/457 plans	407
Equity real estate assets	$321,000,000
Mortgage assets	$3,203,000,000
Equity indexed assets	$219,000,000
Dedicated/immunized assets	$2,474,000,000
Minimum separate account	$5,000,000
Tax-exempt clients:	
Separate	1
Types of accounts managed	CEFJG

Mutual Benefit Life Insurance Co. is an active equity, fixed-income real estate and short-term manager.

Its equity approach follows Graham & Dodd principles. It seeks oversold, underfollowed and undervalued issues.

Its fixed-income approach uses immunization. It is primarily concerned with the highest after-tax yield and matching of asset liability and maturity.

Its real estate approach seeks to obtain smaller properties that are diversified by type and location to afford a greater degree of diversity.

The separate account asset mix Jan. 1 was 74.8% stocks, 4.9% cash, 9.3% equity real estate and 11% mortgages.

Ted D. Simmons, vice chairman, is chief investment officer; Michael K. Farrell, president of Mutual Benefit Pension Corp., is client contact.

Mutual Service Life Insurance Co.

P.O. Box 64035, St. Paul, Minn.
55164; (612) 631-7000

Total assets managed	$549,000,000
Total discretionary assets	$289,000,000
Tax-exempt assets managed:	
Total	$289,000,000
Pooled accounts	$44,000,000
GICs	$80,000,000
Annuities	$10,000,000
Other	$155,000,000
401(k)/457 assets managed	$42,000,000
No. of 401(k)/457 plans	586
Equity real estate assets	$14,000,000
Mortgage assets	$162,000,000
Mortgage-backed assets	$45,000,000
International fixed-income assets	$19,000,000
Minimum account size	$100,000
Tax-exempt clients:	
Pooled	11
Types of accounts managed	C
No. of portfolio managers	2
Size of research staff	2

Mutual Service Life Insurance Co. is an active equity, active and passive fixed-income, balanced and short-term manager.

Its equity approach is value-oriented and risk averse, stressing low volatility and consistency of return. In fixed income, the firm analyzes sectors and the yield curve, and manages effective duration and convexity.

In real estate, the firm seeks opportunities for above-average, long-term appreciation with average current income.

The parent is MSI.

Loren A. Haugland, senior vice president-investments and finance, is chief investment officer; Steve White, director-pension sales, is client contact.

N

Narragansett Capital Inc.

50 Kennedy Plaza, Providence, R.I.
02903; (401) 751-100[illegible]

Total assets managed	$500,000,000
Tax-exempt assets managed:	
Total	$165,000,000
Pooled accounts	$165,000,000
Minimum separate account	$5,000,000
Tax-exempt clients	15
Types of accounts managed	CEFJG
No. of portfolio managers	4
Size of research staff	5

Narragansett Capital Inc. is an equity manager in leveraged buy-outs, taking equity positions in transactions made by the firm.

Clients include United Technologies, GTE and Honeywell.

Arthur D. Little, Gregory P. Barber, Jonathan M. Nelson and Roger A. Vandenberg, managing directors, are chief investment officers; Mr. Little is client contact.

National Bank of Detroit

611 Woodward Ave., Detroit, Mich.
48226; (313) 225-2183

Total assets managed	$9,700,000,000
Tax-exempt assets managed:	
Total	$5,800,000,000
Commingled accounts	$3,800,000,000
Separate accounts	$2,000,000,000
Mortgage-backed assets	$135,000,000
International equity assets	$9,000,000
Equity indexed assets	$158,000,000
Dedicated/immunized assets	$820,000,000
Minimum separate account	$5,000,000
Tax-exempt clients:	
Commingled	850
Separate	208
Types of accounts managed	CEFG
No. of portfolio managers	16
Size of research staff	20

National Bank of Detroit is an active and passive equity, active and passive fixed-income, balanced, active international equity and short-term manager.

Its equity approach emphasizes value and earnings growth. Its fixed-income approach uses duration management and interest rate anticipation.

The asset mix Jan. 1 was 50% stocks, 40% bonds and 10% cash.

The bank follows 175 stocks closely and 480, generally; 80% of research is generated internally.

The parent is NBD Bancorp.

James M. Lane, senior vice president, is chief investment officer; John Karl Broman, assistant vice president, is client contact.

National City Bank

P.O. Box 5756, Cleveland, Ohio
44101-0756; (216) 575-2000

Total assets managed	$6,900,000,000
Tax-exempt assets managed:	
Total	$3,160,000,000
Commingled accounts	$965,000,000
Separate accounts	$2,195,000,000
401(k)/457 assets managed	$6,000,000
No. of 401(k)/457 plans	19
Minimum separate account	$1,0[illegible],000
Tax-exempt clients:	
Commingled	6
Separate	805
Types of accounts managed	CEFJ
No. of portfolio managers	16
Size of research staff	10

National City Bank is an active equity, active fixed-income, balanced, short-term and GIC manager.

Its primary equity approach focuses on a company's market, competitive advantage, management, return on equity and consistent rather than cyclical earnings growth. In fixed-income, maturity structures of portfolios are minimally adjusted in anticipation of interest rate changes with sector strategies, corporates and agencies used to capture yield advantages, enhancing total return.

The asset mix Jan. 1 was 55% stocks and 45% bonds.

The bank follows 130 stocks closely; 90% of research is generated internally.

Clients include Case Western Reserve University, Roadway Services and Harris.

The parent is National City Corp.

Larry Kekst and David B. Hiller, vice presidents, are chief investment officers; Richard A. Wainio, vice president, is client contact.

National Investment Services of America Inc.

815 E. Mason St., Suite 1501,
Milwaukee, Wis. 53202; (414) 271-6540

Total assets managed	$5,485,000,000
Tax-exempt assets managed:	
Total	$5,240,000,000
Separate accounts	$5,240,000,000
Mortgage-backed assets	$500,000,000
Dedicated/immunized bonds	$4,000,000,000
Minimum separate account	$1,000,000
Tax-exempt clients	44
Types of accounts managed	CEFJG
No. of portfolio managers	9
Size of research staff	2

National Investment Services of America Inc. is an active equity, active and passive fixed-income, balanced and short-term manager.

Its equity approach uses growth stocks, believing earnings momentum is the central influence on price.

It uses interest rate anticipation or sector analysis in its active, dedicated/immunized and indexed fixed-income strategies. Its "spanning technology" links assets to plan liabilities, assuring funding levels using both stocks and bonds.

The asset mix Jan. 1 was 5% equity, 85% bonds and 10% mortgage-backed securities.

All research is generated internally.

Clients include Ameritech, U S WEST and Eastern Airlines.

Joseph E. Gorman, president, is chief investment officer; Mary Jo Dempsey, Thomas R. Tuschen and Robert L. Holz are client contacts.

National Property Advisors

100 Galleria Parkway N.W., Suite 1620, Atlanta, Ga. 30327; (404) 988-9008

Total assets managed	$30[illegible],000,000
Tax-exempt assets managed:	
Total	$110,000,000
Pooled accounts	$110,000,000
Equity real estate assets	$100,000,000
Mortgage assets	$4,000,000
Minimum separate account	$20,000,000
Tax-exempt clients	9
Types of accounts managed	CG
No. of portfolio managers	18

National Property Advisors Corp., a real estate manager, specializes in industrial distribution warehouses. It uses wholly owned equity investments with active in-house management. Leverage and other risk elements are tailored to investor objectives.

The asset mix Jan. 1 was 5% cash, 91% equity real estate and 4% mortgages.

The parent is National Life Insurance Co.

Andrew B. MacGregor, president, is chief investment officer. The client contact is Charles J. Smiler, senior vice president, P.O. Box 308, Montpelier, Vt. 05602; (802) 223-9595.

National Trust Co.

21 King St. E., Third Floor, Toronto,
Ontario M5C 1B3; (416) 361-3887

Total assets managed	$6,340,000,000
Tax-exempt assets managed:	
Total	$1,601,000,000
Pooled accounts	$474,000,000
Separate accounts	$1,127,000,000
For subsidiaries of U.S. firms	$117,000,000
Mortgage assets	$19,000,000
Non-North American equities	$33,000,000
Equity indexed assets	$77,000,000
Minimum separate account	$6,000,000
Tax-exempt clients:	
Separate	24
U.S. subsidiaries	8
Types of accounts managed	CEFGU
No. of portfolio managers	7

National Trust Co., a Canadian firm, is an active and passive equity, active fixed-income, balanced, active international equity, short-term and mortgage manager.

Its equity approach is driven by theme investing supported by computer screens to identify undervalued sectors or stocks. Tactical asset allocation is used.

Based on interest rate anticipation and sector analysis, its fixed-income approach emphasizes quality and marketability of holdings, actively trading to maximize returns.

The asset mix Jan. 1 was 30% Canadian stocks, 10% U.S. stocks, 45% bonds and 15% cash.

It follows 180 stocks closely and 290, generally; 20% of research is generated internally.

The parent is National Trust Co. Inc.

John C. Crocker, senior vice president-pension investments, is chief investment officer; Barbara H. Johnson, director-pension investment marketing, is client contact.

National Westminster Bank New Jersey

1 Gateway Center, Newark, N.J.
07102; (201) 648-8027

Total assets managed	$1,000,000,000
Tax-exempt assets managed:	
Total	$420,000,000
Commingled accounts	$180,000,000
Separate accounts	$240,000,000
401(k)/457 assets managed	$12,000,000
No. of 401(k)/457 plans	9
Minimum separate account	$500,000
Tax-exempt clients:	
Commingled	191
Separate	258
Types of accounts managed	CEFGJ
No. of portfolio managers	8

National Westminster Bank New Jersey, formerly First Jersey National Bank, is an active equity, active fixed-income, balanced and short-term manager.

Its primary equity approach is value-oriented, emphasizing Graham & Dodd analysis of emerging growth, growth and low p/e stocks, and market timing in its top-down stock selection.

Its primary fixed-income approach is macroeconomic, using active management in maturity structure, quality distribution and sector selection.

The asset mix Jan. 1 was 45% stocks, 30% bonds and 25% cash.

The parent is National Westminster Bancorp.

John J. Saueracker is chief investment officer; J. Thomas Chiolo, senior vice president, is client contact.

Nationwide Life Insurance

1 Nationwide Plaza, Columbus, Ohio
43216; (614) 249-7111

Total assets managed	$6,882,000,000
Total discretionary assets	$6,882,000,000
Tax-exempt assets managed:	
Total	$4,457,000,000
Pooled accounts	$40,000,000
Separate accounts	$528,000,000
GICs	$201,000,000
Annuities	$500,000,000
Other	$3,188,000,000
401(k)/457 assets managed	$2,306,000,000
Minimum separate account	$10,000,000
Tax-exempt clients:	
Separate	3
Types of accounts managed	CEFG
No. of portfolio managers	31

Nationwide Life Insurance Co. is an active equity, active and passive fixed-income and balanced manager.

Its primary equity approach combines Graham & Dodd analysis with emerging growth, growth and low p/e stocks, and sector rotation. It substantially overweights attractive industries. Its fixed-income approach discerns relative value in different sectors.

The insurer handles an additional $1.819 billion, of which $484 million is tax exempt, that is managed on its behalf by external managers.

The parent is Nationwide Insurance Group.

Peter F. Frenzer, executive vice president-investments, is chief investment officer; John H. Williams, compliance officer, is client contact.

NCM Capital Management Group Inc.

2 Mutual Plaza, 501 Willard St.,
Durham, N.C. 27701-3642; (919) 688-0620

Total assets managed	$215,000,000
Tax-exempt assets managed:	
Total	$140,000,000
Separate accounts	$140,000,000
Mortgage-backed assets	$6,000,000
Minimum separate account	$5,000,000
Tax-exempt clients	15
Types of accounts managed	CEF
No. of portfolio managers	3

NCM Capital Management Group Inc. is an active equity, active fixed-income, balanced and short-term manager.

Its equity approach screens for low p/e, positive earnings momentum, positive earnings surprise and quality. Its primary fixed-income approach is based on duration and sector management, using interest rate anticipation and sector analysis.

The asset mix Jan. 1 was 22% equities, 71% bonds, 4% cash and 3% mortgage-backed securities.

The parent is North Carolina Mutual Life Insurance Co.

Maceo K. Sloan, president and chief executive officer, is chief investment officer; Justin F. Beckett, director of marketing, is client contact.

NCNB National Bank

1 NCNB Plaza, Charlotte, N.C. 28255;
(704) 374-8008

Total assets managed	$7,887,000,000
Tax-exempt assets managed:	
Total	$4,018,000,000
Commingled accounts	$2,073,000,000
Separate accounts	$1,945,000,000
401(k)/457 assets managed	$239,000,000
No. of 401(k)/457 plans	224
Real estate equity assets	$625,000,000
Mortgage-backed assets	$63,000,000
Minimum separate account	$10,000,000
Tax-exempt clients:	
Commingled	1,322

Key to abbreviations

C: Corporate
E: Educational endowment
F: Private foundation
G: U.S. state/local gov't
J: Jointly trusteed
P: Canadian provincial gov't
U: Unions (Canadians only)

Separate	305
Types of accounts managed	CEFJG
No. of portfolio managers	11
Size of research staff	7

NCNB National Bank is an active equity, active fixed-income, balanced, tactical asset allocation, real estate and short-term manager.

Its primary equity approach uses top-down analysis and sector rotation, moving toward companies displaying earnings momentum at reasonable relative and absolute value.

Its fixed-income approach focuses on duration relative to the Shearson index with value added by sector swaps and interest rate anticipation.

Its real estate approach is to provide capital appreciation and current income through equity investments in high-quality, diversified commercial and industrial property in the Southeast.

The asset mix Jan. 1 was 46% stocks, 28% bonds, 12% cash and 14% equity real estate.

The parent is NCNB Corp.

Donald G. Berdine, senior vice president, is chief investment officer; James C. Rhea III, vice president, is client contact.

NCNB Texas

P.O. Box 241, Dallas, Texas
75221-0241; (214) 922-3593

Total assets managed	$16,258,000,000
Tax-exempt assets managed	
Total	$6,903,000,000
Commingled accounts	$2,187,000,000
Separate accounts	$4,716,000,000
Equity indexed assets	$401,000,000
Fixed-income indexed assets	$40,000,000
Minimum separate account	$3,000,000
Tax-exempt clients	3,746
Types of accounts managed	CEFGJ
No. of portfolio managers	34
Size of research staff	6

NCNB Texas, formerly First RepublicBank Dallas, is an active and passive equity, active and passive fixed-income, balanced, tactical asset allocation, real estate, active international equity, short-term and GIC manager.

In equities, the bank emphasizes diversification and invests in stocks relatively undervalued as measured by a lower p/e than the market. In fixed-income, its active approach takes advantage of market inefficiencies; sector selection, credit research and swapping provide incremental return. Duration management is used to allow flexibility without undue risk/volatility. Options and financial futures are used.

Its real estate approach is to actively search for market trends, concentrating on properties with long-term growth and stability.

The asset mix Jan. 1 was 45% stocks, 40% bonds and 15% cash. In addition to the assets above, $14 million is managed in an international equity account by Baillie Gifford.

Portfolio insurance is provided to five clients covering $550 million in assets.

The parent is NCNB Corp.

H. Edward Anderson, chairman, is chief investment officer; Daryl W. Hendrix and Nancy E. Allen are client contacts.

Nelson, Benson & Zellmer

455 Sherman St., Suite 100, Denver,
Colo. 80203; (303) 778-6800

Total assets managed	$427,000,000
Tax-exempt assets managed:	
Total	$300,000,000
Pooled accounts	$30,000,000
Separate accounts	$270,000,000
Minimum separate account	$1,000,000
Tax-exempt clients:	
Pooled	2
Separate	32
Types of accounts managed	CEFG
No. of portfolio managers	4

Nelson, Benson & Zellmer Inc. is an active equity, active fixed-income and balanced manager.

A bottom-up, growth stock manager, the firm stresses three elements of fundamental financial analysis: growth of earnings, return on equity and quality of management.

Its primary fixed-income approach is passive, focusing on high quality and intermediate maturity.

The asset mix Jan. 1 was 88% equities, 9% bonds and 3% cash.

The parent is United Asset Manage-

ment.

Clients include Sloan-Kettering Cancer Center, Orange County Employees, PBGC and Philadelphia Municipal.

W. Peterson Nelson is chief investment officer; John A. Benson is client contact.

Nelson Capital Management

525 University Ave. Suite 810, Palo
Alto, Calif. 94301; (415) 326-0200

Total assets managed	$144,000,000
Tax-exempt assets managed	
Total	$56,000,000
Separate accounts	$56,000,000
Minimum separate account	$500,000
Tax-exempt clients	21
Types of accounts managed	CEFJ
No. of portfolio managers	3
Size of research staff	2

Nelson Capital Management Inc. is an active equity, active fixed-income, balanced and short-term manager.

Its equity approach combines fundamental analysis with a valuation model to uncover growing companies with strong earnings trends and high potential returns. Its fixed-income approach focuses on high quality and liquidity but also considers interest rate fluctuations, market inefficiencies, yield curve analysis and duration.

The asset mix Jan. 1 was 30% equities, 45% bonds and 25% cash.

Philip S. Nelson is chief investment officer; Suanne Ramar is client contact.

Neuberger and Berman

522 Fifth Ave., New York, N.Y. 10036;
(212) 790-9669

Total assets managed	$13,875,000,000
Tax-exempt assets managed	
Total	$6,968,000,000
Separate accounts	$6,968,000,000
401(k)/457 assets managed	$250,000,000
Minimum separate account	$10,000,000
Tax-exempt clients	255
Types of accounts managed	CEFJG
No. of portfolio managers	14
Size of research staff	16

Neuberger and Berman is an active equity, active fixed-income, balanced and short-term manager.

Its equity approach adheres to a market-oriented, value-driven style, emphasizing undervalued stock selections with flexible asset mix strategies.

Its fixed-income approach adheres to a limited maturity, market-oriented, value-driven style, emphasizing undervalued sector selections and interest rate trend related maturity/duration flexibility.

The asset mix Jan. 1 was 54% equities, 27% bonds and 19% cash.

The firm follows 250 stocks closely and 780, generally; 80% of research is generated internally.

Richard A. Cantor is chief investment officer; Robert R. McComsey, general partner and chief operating officer, is client contact.

Newbold's Asset Management Inc.

933 Haverford Road, Bryn Mawr, Pa.
19010; (215) 526-6500

Total assets managed	$3,276,000,000
Tax-exempt assets managed:	
Total	$2,966,000,000
Separate accounts	$2,966,000,000
Minimum separate account	$10,000,000
Tax-exempt clients	116
Types of accounts managed	CEFGJ
No. of portfolio managers	11

Newbold's Asset Management Inc., an active equity and balanced manager, uses a value-oriented approach emphasizing low p/e.

Its fixed-income approach is passive.

The asset mix Jan. 1 was 93% stocks and 7% cash.

The firm follows 35 to 40 stocks closely and 120, generally; 95% of research is generated internally.

The parent is Provident Mutual Life Insurance Co.

Clients include Hallmark Cards, Texas Utilities and Illinois State Board.

Timothy M. Havens, president, is chief investment officer; Robert E. Clarke, senior vice president-marketing, is client contact.

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The New England

501 Boylston St., Boston, Mass.
02117; (617) 578-2000

Total assets managed	$12,302,000,000
Total discretionary assets	$12,302,000,000
Tax-exempt assets managed	
Total	$5,737,000,000
Pooled accounts	$230,000,000
Separate accounts	$55,000,000
GICs	$2,229,000,000
Annuities	$74,000,000
Other	$3,149,000,000
Mortgage assets	$2,622,000,000
Minimum separate account	$5,000,000
Tax-exempt clients	
Pooled	670
Separate	3
Types of accounts managed	CEFJG
No. of portfolio managers	8
Size of research staff	16

The New England offers tactical asset allocation, private placement, mortgage and mezzanine financing capabilities in-house.

Its affiliates, profiled separately and identified below, manage equity, fixed-income, balanced, real estate, international/global and short-term investments on behalf of the parent. Assets listed by the separate affiliates are not included above.

Equity investments are handled by Loomis, Sayles & Co.; fixed-income investments, by Back Bay Advisors Inc.; and real estate accounts, by Copley Real Estate Advisors Inc.

Clients include AT&T, Boilermaker-Blacksmith National, Frank Russell Trust and State of Washington.

Ralph F. Verni, president, is chief investment officer; Antwine Jefferson III, executive vice president-New England Institutional Marketing Inc., is client contact.

New Japan Capital Management (USA) Inc.

1 World Trade Center, Suite 9151,
New York, N.Y. 10048; (212)
912-0526

Total assets managed	$2,110,000,000
Tax-exempt assets managed	$0
Minimum separate account	$1,000,000

New Japan Capital Management (USA) Inc. is an active and passive international equity and active international fixed-income manager.

Its equity approach is value-oriented and quantitative. Stock selections are made using fundamental and technical factors.

Its fixed-income approach is driven by interest rate anticipation. Optimum asset allocation for short-, medium- and long-term bonds uses macroeconomic and technical indicators.

The parent is New Japan International Capital Management Co., Ltd.

Noboru Imai, senior managing director, is chief investment officer; Hiroshi Takahashi, president, and Katherine Buck, vice president, are client contacts.

New York Life Insurance Co.

51 Madison Ave., New York, N.Y.
10010; (212) 576-7000

Total assets managed	$37,310,000,000
Total discretionary assets	$34,767,000,000
Tax-exempt assets managed	
Total	$12,353,000,000
Pooled accounts	$268,000,000
GICs	$7,866,000,000
Annuities	$1,976,000,000
Other	$2,243,000,000
Equity real estate assets	$28,000,000
Mortgage assets	$807,000,000
Mortgage-backed assets	$2,841,000,000
International equity assets	$24,000,000
Equity indexed assets	$72,000,000
Fixed-income indexed assets	$39,000,000
Dedicated/immunized assets	$7,296,000,000
Minimum separate equity account	$100,000
Tax-exempt clients	
Pooled	281
Types of accounts managed	CEFGJ
No. of portfolio managers	7
Size of research staff	10

New York Life Insurance Co. is an active and passive equity, active and passive fixed-income, short-term and convertible securities manager.

Its growth equity approach focuses on companies with earnings growth above the S&P 500. The value equity account seeks companies with value not reflected in the stock price. The indexed account tracks the S&P.

In fixed-income, it combines partial market timing and an actively managed core to provide returns that exceed inflation. Buy/sell disciplines are emphasized; sector analysis is used.

The separate account asset mix Jan. 1 was 26.9% stocks, 14.4% bonds, 39.2% cash, 10.5% equity real estate and 9% international equity.

William Keiter, executive vice president, is chief investment officer; Linda Livornese, pension vice president, is client contact.

NFJ Investment Group Inc.

2121 San Jacinto, Suite 1440, Dallas,
Texas 75201; (214) 754-1789

See entry for PACIFIC FINANCIAL COS.

Nicholas Co. Inc.

700 N. Water St., Milwaukee, Wis.
53202; (414) 272-4650

Total assets managed	$2,000,000,000
Tax-exempt assets managed	
Total	$400,000,000
Pooled accounts	$400,000,000
Minimum separate account	$10,000,000
Tax-exempt clients	31
Types of accounts managed	CEF
No. of portfolio managers	2
Size of research staff	2

Nicholas Co. Inc. is an active equity and balanced manager.

It takes a growth and low p/e approach to equities and a passive approach to fixed-income.

The asset mix Jan. 1 was 80% equity, 10% bonds and 10% cash.

Clients include Mayo Clinic, Vulcan Materials and The Common Fund.

Albert O. Nicholas, president, is chief investment officer; David L. Johnson, senior vice president, is client contact.

Nicholas-Applegate Capital Management

701 B St., Suite 2040, San Diego,
Calif. 92101; (619) 234-4472

Total assets managed	$1,292,000,000
Tax-exempt assets managed	
Total	$1,163,000,000
Pooled accounts	$55,000,000
Separate accounts	$1,108,000,000
Minimum separate account	$10,000,000
Tax-exempt clients	
Pooled	2
Separate	47
Types of accounts managed	CEFG
No. of portfolio managers	7

Nicholas-Applegate Capital Management is an active equity and balanced manager.

The firm specializes in growth stock investments, using a bottom-up approach.

The asset mix Jan. 1 was 99% equities and 1% cash.

The firm follows 500 stocks closely and 2,500, generally; 20% of research is generated internally.

Clients include The Common Fund, Southwestern Bell, United Technologies and Virginia Supplemental.

Arthur E. Nicholas is chief investment officer; Fred C. Applegate is client contact.

The Nicholson Group Inc.

12000 S.W. 92nd Ave., P.O. Box
56-1065, Miami, Fla. 33256; (305)
252-4090

Total assets managed	$12,000,000
Tax-exempt assets managed	
Total	$2,000,000
Separate accounts	$2,000,000
Minimum separate account	$100,000
Tax-exempt clients	3
Types of accounts managed	C
No. of portfolio managers	1
Size of research staff	1

The Nicholson Group Inc., an active equity manager, focuses on stocks with undervalued fundamentals. The firm uses technical analysis to time purchases with stock action and market expectations. Options are used.

The asset mix Jan. 1 was 95% equity and 5% cash.

The firm follows 60 stocks closely and 100, generally; 80% of research is generated internally.

Robert Nicholson, president, is chief investment officer and client contact.

Nikko Capital Management (U.S.A.) Inc.

350 Park Ave., New York, N.Y. 10022;
(212) 319-2730

Total assets managed	$858,000,000
Tax-exempt assets managed	
Total	$364,000,000
Separate accounts	$364,000,000
International equity assets	$346,000,000
Equity indexed assets	$327,000,000
Minimum separate account	$5,000,000
Tax-exempt clients	8
Types of accounts managed	CG
No. of portfolio managers	48
Size of research staff	18

Nikko Capital Management (U.S.A.) Inc. uses active, passive and quantitative strategies for global, international and Pacific Basin portfolios.

Specialized products include a Japan and Pacific Basin index, EAFE index and an EAFE tilt strategy. Active and passive fixed-income management is offered, and based on interest rate anticipation.

Financial futures are used.

The asset mix Jan. 1 was 95% equities and 5% cash.

The firm follows 450 stocks closely and 1,350 generally; 50% of research is generated internally.

Portfolio insurance is offered.

The parent is Nikko International Capital Management Co. Ltd.

Clients include Eli Lilly, GTE Service, Hawaii and Thomas J. Lipton.

Stanley Kirtman is senior vice president and chief investment officer; David Rochman, vice president, is client contact.

NKK Scudder Capital Asset Management Corp.

345 Park Ave., New York, N.Y. 10154;
(212) 326-6572

Total assets managed	$103,000,000
Tax-exempt assets managed	$0
Minimum separate account	$1,000,000
No. of portfolio managers	22
Size of research staff	62

NKK Scudder Capital Asset Management Corp. is an active international equity manager.

Its primary equity approach is value-oriented. Stock selection is based on a global perspective with the capture of long-term changes based on fundamental research.

In fixed-income, it uses interest rate anticipation and sector analysis.

Options and financial futures are used.

The parent is Kangyo Kakumaru Capital Management Co. Ltd.

Shigetomi Kurabayashi, president, is chief investment officer; Tadao Doshida, managing director, is client contact.

NM Capital Management Inc.

7510 Montgomery N.E., Suite 201,
Albuquerque, N.M. 87109; (505)
888-9500

Total assets managed	$142,000,000
Tax-exempt assets managed:	
Total	$94,000,000
Separate accounts	$94,000,000
401(k)/457 assets managed	$2,000,000
No. of 401(k)/457 plans	5
Mortgage-backed assets	$4,000,000
International equity assets	$7,000,000
Minimum separate account	$200,000
Tax-exempt clients	106
Types of accounts managed	CEF
No. of portfolio managers	3
Size of research staff	2

NM Capital Management Inc. is an active equity, active and passive fixed-income and balanced manager.

Its equity approach is bottom-up, emphasizing low p/e stocks and Graham & Dodd analysis. Its fixed-income approach emphasizes A or better coupon bonds, using interest rate anticipation and sector analysis.

The asset mix Jan. 1 was 46% equity, 42% bonds, 4% mortgage-backed securities and 8% cash.

Gerald S. Epstein, president, is chief investment officer; Charles H. Womack and Thomas S. Christopher, executive vice presidents, are client contacts.

NML Equity Services Inc.

720 E. Wisconsin Ave., Milwaukee,
Wis. 53202; (414) 226-1860

Total assets managed	$9,580,000,000
Tax-exempt assets managed	
Total	$310,000,000
Separate accounts	$310,000,000
Minimum separate account	$5,000,000
Tax-exempt clients	3
Types of accounts managed	CFG
No. of portfolio managers	7
Size of research staff	8

NML Equity Services Inc. is an active equity, active fixed-income and short-term manager.

Its equity philosophy emphasizes disciplined, value-oriented investment approaches to both large- and small-cap stocks.

Its fixed-income approach meets duration targets set for each client by selecting bonds from market sectors that are most conservatively valued.

The asset mix Jan. 1 was 25% equity, 55% bonds and 20% cash.

The firm follows 75 stocks closely and 400, generally; 75% of research is generated internally.

The parent is Northwestern Mutual Life Insurance Co.

Edward J. Zore, president, is chief investment officer; Thomas A. Carroll, vice president, is client contact.

Noddings Investment Group

2 MidAmerica Plaza, Suite 920,
Oakbrook Terrace, Ill. 60181; (312)
954-1322

Total assets managed	$77,000,000
Tax-exempt assets managed	
Total	$45,000,000
Separate accounts	$45,000,000
Minimum separate account	$1,000,000
Tax-exempt clients	56
Types of accounts managed	CEF
No. of portfolio managers	4
Size of research staff	3

Noddings Investment Group Inc. is a convertible securities manager.

Its approach is quantitative, identifying and capitalizing on inefficiencies through mathematical evaluation techniques. Options are used.

All assets Jan. 1 were in convertible securities.

The firm follows 200 stocks closely and 800, generally; 90% of research is generated internally.

Thomas C. Noddings, president, is chief investment officer; Carol A. Sachs, executive vice president, is client contact.

Nomura Capital Management

180 Maiden Lane, Suite 2903, New
York, N.Y. 10038; (212) 509-8181

Total assets managed	$2,364,000,000
Tax-exempt assets managed:	
Total	$1,424,000,000
Separate accounts	$1,424,000,000
International equity assets	$1,282,000,000
International cash assets	$142,000,000
Minimum separate account	$5,000,000
Tax-exempt clients	17
Types of accounts managed	CEFG
No. of portfolio managers	18
Size of research staff	191

Nomura Capital Management Inc., a global manager, takes an active equity approach using original fundamental and economic research. Stocks are chosen through disciplined valuation aided by quantitative tools.

In fixed-income, it uses interest rate anticipation, sector analysis, yield curve arbitrage, rich/poor analysis and individual anomalies to tailor portfolios to match a client's risk tolerance.

The asset mix Jan. 1 was 90% equity and 10% cash.

The firm follows 930 stocks; 60% of research is generated internally.

The parent is Nomura Investment Management Co. Ltd.

Clients include GE, GM, Hawaii and Southwestern Bell.

Takeo Nakamura, president, is chief investment officer; Brian X. Fitzgibbon, senior vice president, is client contact.

Steven A. Noroian & Associates Inc.

100 Pine St., Suite 3350, San
Francisco, Calif. 94111; (415)
398-8766

Total assets managed	$60,000,000
Tax-exempt assets managed	
Total	$40,000,000
Separate accounts	$40,000,000
Minimum separate account	$200,000
Tax-exempt clients	55
Types of accounts managed	CEF
No. of portfolio managers	4

Steven A. Noroian & Associates Inc. is an active equity, passive fixed-income and balanced manager.

Its equity approach analyzes growth stocks with Graham & Dodd and employs market timing.

Its fixed-income approach uses interest rate anticipation and sector analysis, emphasizing maturity structure and quality ratings.

The firm follows 100 stocks closely; 70% of research is generated internally.

Steven A. Noroian, chairman, is chief investment officer; Duffy A. Morf, president, is client contact.

Norstar Investment Advisory Services Inc./Institutional Group

45 East Ave., Fourth Floor, Rochester,
N.Y. 14604; (716) 423-1900

Total assets managed	$2,100,000,000
Tax-exempt assets managed	$2,100,000,000
Minimum separate account	$1,000,000
Types of accounts managed	CEFJG
No. of portfolio managers	10

Norstar Investment Advisory Service Inc./Institutional Group, is an active equity, active fixed-income, balanced and short-term manager.

Its equity approach is to invest in quality companies whose stocks are temporarily out of favor. It looks for advantages, including above-average yield, low p/e, low price to cash flow and low price to book.

Its primary fixed-income approach seeks advantages within sectors and between maturity ranges. It invests in sinking fund bonds, depressed convertibles, upgrade credit candidates, extendible notes and floating-rate notes. It invests defensively.

The asset mix Jan. 1 was 55% stocks, 40% bonds and 5% cash.

The parent is Fleet/Norstar Financial.

James A. Knauf Jr., president and chief executive officer, is chief investment officer; Marshall Raucci Jr., senior vice president, is client contact.

North American Capital Management

P.O. Box 6728, Shawnee Mission,
Kan. 66206; (913) 381-8401

Total assets managed	$8,000,000
Tax-exempt assets managed:	
Total	$3,000,000
Separate accounts	$3,000,000
Minimum separate account	$80,000
Tax-exempt clients	20
Types of accounts managed	C
No. of portfolio managers	1

North American Capital Management, an active equity manager, invests in large-cap, blue-chip companies using market timing, technical analysis and some quantitative analysis. A similar procedure is used to determine the asset allocation. Portfolios are managed to be risk averse. Options are used for hedging.

Its fixed-income approach is based on interest rate anticipation.

The asset mix Jan. 1 was 57% equity and 43% cash.

Robert J. McElwain, president, is chief investment officer; Mr. McElwain and Kay Malone, director of operations, are client contacts.

Northern Capital Management Inc.

6510 Grand Teton Plaza, Madison,
Wis. 53719; (608) 829-2990

Total assets managed	$1,104,000,000
Tax-exempt assets managed:	
Total	$1,018,000,000
Separate accounts	$1,018,000,000
International equity assets	$30,000,000
Minimum separate account	$10,000,000

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332 Pine Street, Suite 514
San Francisco, CA 94104
(415) 986-6991

Tax-exempt clients	51
Types of accounts managed	CEF
No. of portfolio managers	5

Northern Capital Management Inc. is an active equity, active fixed-income and balanced manager.

Its equity approach is to maximize capital appreciation within the context of preserving client assets by using market timing and stock selection.

Its fixed-income approach uses interest rate anticipation.

Options are used.

The asset mix Jan. 1 was 65% equity, 30% bonds and 5% cash.

The firm follows 50 stocks closely and 100, generally; 70% of research is generated internally.

The parent is United Asset Management.

Richard M. Moskalik is chief investment officer; Roland R. Reinholtz and Stephen L. Hawk are client contacts.

Northern Investment Management Co.

200 W. Madison St., Suite 2710,
Chicago, Ill. 60606; (312) 606-7300

Total assets managed	$6,495,000,000
Tax-exempt assets managed	
Total	$5,855,000,000
Commingled accounts	$2,433,000,000
Separate accounts	$3,422,000,000
International equity assets	$32,000,000
International bond assets	$20,000,000
Equity indexed assets	$1,019,000,000
Fixed-income indexed assets	$401,000,000
Dedicated/immunized assets	$434,000,000
Minimum separate account	$5,000,000
Tax-exempt clients	*
Commingled	13
Separate	230
Types of accounts managed	CEFGJ
No. of portfolio managers	13

Northern Investment Management Co. is an active and passive equity, active and passive fixed-income, balanced, tactical asset allocation, passive international and short-term manager.

Its primary equity approach is to add value through factor selection, sector concentration and stock selection. A proprietary model is used to screen stocks on a fundamental and valuation basis. A systematic approach to index arbitrage takes advantage of mispricings in the derivative markets relative to the securities market.

Its primary fixed-income approach is driven by interest rate forecasting, analysis of changes in the yield curve, sector selection and individual issue arbitrage. Based on the rate forecast, duration will be adjusted; depending on the shape of the yield curve, the firm will use a laddered maturity structure or hold long maturities plus cash.

Options and financial futures are used with client permission.

The asset mix Jan. 1 was 31.3% stocks, 38.9% bonds, 29.8% cash.

The parent is Northern Trust Corp.

Luke Mazur, managing director-equities, is chief investment officer; John T. Blunt, managing director-marketing and administration, is client contact.

The Northern Trust Co.

50 S. LaSalle St., Chicago, Ill. 60675;
(312) 630-6000

Total assets managed	$24,700,000,000
Tax-exempt assets managed	
Total	$8,376,000,000
Commingled accounts	$8,376,000,000
Minimum separate account	$100,000,000
Tax-exempt clients	372
Types of accounts managed	CEFG
No. of portfolio managers	5
Size of research staff	1

The Northern Trust Co. is a short-term manager.

Options and financial futures are used.

All assets Jan. 1 were in money market and synthetic instruments.

The parent is Northern Trust Corp.

William F. Bahl, senior vice president, is chief investment officer; Thomas W. Kimen Jr., senior vice president, is client contact.

NorthWest Quadrant Inc.

450 Newport Center Drive, Suite 420,
Newport Beach, Calif. 92660; (714)
720-9232

Tax-exempt assets managed	
Total	$36,000,000
Separate accounts	$36,000,000
401(k)/457 assets managed	$7,000,000
No. of 401(k)/457 plans	12
International equity assets	$6,000,000
Minimum separate account	$400,000
Tax-exempt clients	80
Types of accounts managed	J
No. of portfolio managers	4
Size of research staff	1

NorthWest Quadrant Inc. offers active equity, balanced, active international equity and natural resources management.

The firm is a hedge equity manager using convertibles, covered options, long stock/long put and closed-end funds.

The asset mix Jan. 1 was 75% equities, 20% convertibles and 5% cash.

Portfolio insurance is provided to 143 clients and covers $72 million.

Roger W. Wilson, president, is chief investment officer; Lawrence M. Ruby, portfolio manager, is client contact.

Norwest Capital Management & Trust

Sixth and Marquette, Minneapolis,
Minn. 55479; (612) 667-4785

Total assets managed	$4,465,000,000
Tax-exempt assets managed	
Total	$2,314,000,000
Pooled accounts	$1,002,000,000
Separate accounts	$1,312,000,000
401(k)/457 assets managed	$200,000,000
No. of 401(k)/457 plans	78
Equity real estate assets	$7,000,000
International equity assets	$16,000,000
Equity indexed assets	$55,000,000
Minimum separate account	$1,000,000
Tax-exempt clients	
Pooled	550
Separate	375
Types of accounts managed	CEFJG
No. of portfolio managers	8
Size of research staff	6

Norwest Capital Management & Trust is an active and passive equity, active fixed-income, balanced, tactical asset allocation, active international equity, GIC and short-term manager.

Its equity approach emphasizes individual stock selection of medium- and large-cap growth companies that meet defined valuation criteria.

Its structured maturity fixed-income approach concentrates on intermediate maturities using sector analysis and individual issue selection.

The asset mix Jan. 1 was 33.5% stocks, 28.2% bonds, 25.9% cash, 0.3% equity real estate and 12.1% GICs.

The parent is Norwest Corp.

Clients include Bemis, Blandin Paper, Minneapolis Foundation and Carpenters & Joiners Pension.

John Caswell, vice president and chief investment officer, is client contact.

Norwest Capital Management & Trust Co. — Montana

P.O. Box 597, Helena, Mont. 59624;
(406) 447-2059

Total assets managed	$503,000,000
Tax-exempt assets managed	
Total	$150,000,000
Commingled accounts	$42,000,000
Separate accounts	$108,000,000
Minimum separate account	$500,000
Tax-exempt clients	
Commingled	265
Separate	228
Types of accounts managed	CEF
No. of portfolio managers	3

Norwest Capital Management & Trust Co. — Montana is a passive equity, passive fixed-income, balanced and short-term manager.

Its equity approach is based on Graham & Dodd analysis, seeking to provide above-average dividend yield and capital appreciation. The firm offers a core diversified portfolio of quality, larger-cap stocks with emphasis on low price/book, price/sales and consistent dividend growth.

Its primary fixed-income emphasizes risk control, using high-quality corporate and U.S. government obligations. Maturities generally don't exceed 10 years; active decisions are made on sector, quality and yield curve spreads.

The asset mix Jan. 1 was 38%

David L. Roberts, vice president and investment officer, is chief investment officer and client contact.

NSR Asset Management

605 Third Ave., New York, N.Y. 10158;
(212) 687-2200

Total assets managed	$354,000,000
Tax-exempt assets managed	
Total	$140,000,000
Separate accounts	$140,000,000
Minimum separate account	$2,500,000
Tax-exempt clients	8
Types of accounts managed	CE
No. of portfolio managers	2

NSR Asset Management Corp. is an active equity and balanced manager.

Its relative value equity approach combines quantitative screens and fundamental analysis to identify stocks with a significant disparity between current price and fair value.

The asset mix Jan. 1 was 77.8% equity and 22.2% cash.

The parent is National Securities & Research Corp.

Clients include National Steel, Gleason, Joy Technologies and University of Missouri.

William R. Sadler, president, is chief investment officer and client contact.

NWQ Investment Management Co.

655 S. Hope St., 11th Floor, Los
Angeles, Calif. 90017; (213)
624-6700

Total assets managed	$1,478,000,000
Tax-exempt assets managed	
Total	$1,176,000,000
Separate accounts	$1,176,000,000
Minimum separate account	$2,000,000
Tax-exempt clients	221
Types of accounts managed	CEFG
No. of portfolio managers	6
Size of research staff	1

NWQ Investment Management Co. is an active equity and balanced manager.

Its equity strategy emphasizes active asset changes, industry/sector concentration and stock selection to produce above-market returns with substantially less risk.

The asset mix Jan. 1 was 48% equity, 12% bonds and 40% cash.

The firm follows 150 stocks closely and 500, generally; 15% of research is generated internally.

Clients include Directors Guild of America, Unisys, National Bulk Carriers and Motion Picture Pension Fund.

David A. Polak, president, is chief investment officer; James P. Owen, managing director, is client contact.

O

Oakwood Counselors Inc.

50 Highway Nine, Morganville, N.J.
07751; (201) 536-9552

Total assets managed	$49,000,000
Tax-exempt assets managed	
Total	$13,000,000
Separate accounts	$13,000,000
401(k)/457 assets managed	$185,000
No. of 401(k)/457 plans	1
Minimum separate account	$100,000
Tax-exempt clients	15
Types of accounts managed	CF
No. of portfolio managers	3

Oakwood Counselors Inc. is an active equity, active fixed-income and balanced manager.

Its equity approach uses conceptual investing. It invests in the beneficiaries of secular trends taking place.

Its fixed-income approach anticipates credit spreads and interest rate curves to achieve greatest possible return within risk parameters.

The asset mix Jan. 1 was 45% equity, 40% bonds and 15% cash.

Paul J. Sherman, president, is the chief investment officer; Kenneth Mantel is the client contact.

The O'Connor Group

200 Park Ave., New York, N.Y. 10166;
(212) 687-7420

Total assets managed	$1,500,000,000
Tax-exempt assets managed	
Total	$1,300,000,000
Pooled accounts	$690,000,000
Separate accounts	$610,000,000
Equity real estate assets	$1,300,000,000
Minimum separate account	$100,000,000
Tax-exempt clients	
Pooled	18
Separate	3
Types of accounts managed	CEFG
Size of research staff	1

The O'Connor Group is a real estate manager that invests in large transactions with franchise characteristics, such as center city office buildings and regional shopping centers. The firm acts as investment manager for institutional clients on a separate account

FP&S: Filling the void in the asset-backed securities market.

FP&S, a specialized financial intermediary, bridges small and medium sized originating institutions with large public and private institutional investors issuing products and providing services in the areas of mortgages and other asset-backed securities.

For the private institutional investor – we offer customized investment opportunities. These investments are matched to risk, return, term, duration and other investor needs.

For the small-to-medium sized originator – we provide access to liquidity and sophisticated structuring techniques. Our programs are a source for placement of conforming and non-conforming products during difficult market cycles.

Master Servicing

FP&S's fully automated master servicing function is a key to servicing investors over the long term. We master service all issues, constantly monitoring and improving performance of underlying assets.

If you're a private institutional investor or a small-to-medium sized originator seeking an expert financial intermediary, call Andrew Resendez or Victor Bove at (617) 439-4448. Discover why our clients rely on FP&S.

Financial Products & Services, Inc.

FP&S

basis and through commingled funds, and maintains property management capabilities in-house.

All assets were committed to equity real estate Jan. 1. As of the same date, $1.1 billion was actually invested.

Jeremiah W. O'Connor Jr., president, is chief investment officer; Nancy Lashine, vice president, is client contact.

Oechsle International Advisors

1 International Place, 44th Floor,
Boston, Mass. 02110; (617)
330-8817

Total assets managed	$1,100,000,000
Tax-exempt assets managed	
Total	$1,050,000,000
Pooled accounts	$5,000,000
Separate accounts	$1,045,000,000
International equity assets	$1,050,000,000
Minimum separate account	$20,000,000
Tax-exempt clients	
Pooled	1
Separate	33
Types of accounts managed	CEFGJ
No. of portfolio managers	6
Size of research staff	3

Oechsle International Advisors is an active international/global equity manager.

Its equity approach emphasizes bottom-up stock selection, aggressive top-down country allocation and value orientation. The investment horizon is 18 to 24 months; portfolios are constructed with a limited number of holdings; investments are managed in a minimum of eight and a maximum of 12 country markets.

All tax-exempt assets were in international equities Jan. 1.

The firm follows 300 stocks closely and 1,200, generally; 90% of the research is generated internally.

Clients include Pacific Telesis, IBM, Harvard and Stanford University.

Walter Oechsle, partner, is the chief investment officer; Stephen P. Langer, partner, is the client contact.

O'Herron & Co. Inc.

1300 St. Mary's St., Suite 210,
Raleigh, N.C. 27605; (919)
834-9224

Total assets managed	$50,000,000
Tax-exempt assets managed	
Total	$25,000,000
Separate accounts	$25,000,000
Minimum separate account	$500,000
Tax-exempt clients	32
Types of accounts managed	CEF
No. of portfolio managers	3

O'Herron & Co. Inc. is an active equity and balanced manager.

The equity approach emphasizes both growth and value, characterized by above-average revenue and earnings growth, relatively low p/e ratios, good cash flow and strong balance sheets. The firm specializes in investments in the states of North Carolina, South Carolina, Georgia and Virginia.

The asset mix Jan. 1 was 65% equities, 21% bonds and 14% cash.

The parent company is Foundation Investment Group.

James J. Green, president, is the chief investment officer; Mr. Green and Brooks Adams, vice president, are the client contacts.

The Ohio Co.

155 E. Broad St., Columbus, Ohio
43215; (614) 464-5548

Total assets managed	$450,000,000
Tax-exempt assets managed	
Total	$355,000,000
Separate accounts	$355,000,000
401(k)/457 assets managed	$7,000,000
No. of 401(k)/457 plans	32
Minimum separate account	$1,000,000
Tax-exempt clients	72
Types of accounts managed	CEFJ
No. of portfolio managers	5
Size of research staff	7

The Ohio Co. is an active equity, active fixed-income and balanced manager.

Its primary equity approach buys stock with long-term track records of above-average earnings and dividend growth, superior return-on-equity trends, priced at a 15% to 20% discount to the S&P 500 p/e multiple.

Its fixed-income approach uses interest rate anticipation. Managers are defensive, buying on AAA rated, government or government-backed securities with average maturities of five to seven years.

The asset mix Jan. 1 was 65% equity, 30% bonds and 5% cash.

C.A. Peterson, senior executive vice president, is the chief investment officer; Sam J. Vogel, business development officer, is the client contact.

Old Kent Bank and Trust Co.

1 Vanderberg Center, Grand Rapids,
Mich. 49503; (616) 771-5248

Total assets managed	$6,500,000,000
Tax-exempt assets managed	
Total	$3,250,000,000
Commingled accounts	$2,250,000,000
Separate accounts	$1,000,000,000
401(k)/457 assets managed	$50,000,000
No. of 401(k)/457 plans	40
Real estate equity assets	$65,000,000
Equity indexed assets	$100,000,000
Dedicated/immunized assets	$50,000,000
Minimum separate account	$5,000,000
Tax-exempt clients	
Commingled	900
Separate	55
Types of accounts managed	CEF
No. of portfolio managers	15
Size of research staff	6

Old Kent Bank and Trust Co. is an active and passive equity, active fixed-income, balanced, tactic [illegible] allocation and short-term ma [illegible]

Its core/non-core equ [illegible] es value-oriented, quantitati [illegible] find undervalued securitie [illegible] ings momentum.

Its primary fixed-income app [illegible] uses a quantitative model to assess probabilities of longer duration securities outperforming shorter duration securities.

Financial futures are used.

The asset mix Jan. 1 was 25% stocks, 50% bonds, 23% cash and 2% equity real estate.

The parent is Old Kent Financial Corp.

Joseph T. Keating, senior vice president, is chief investment officer; Philip M. Allen, senior vice president, is client contact.

Olympic Capital Management Inc.

3008 Rainier Tower, Seattle, Wash.
98101; (206) 447-9399

Total assets managed	$2,277,000,000
Tax-exempt assets managed	
Total	$2,207,000,000
Pooled accounts	$37,000,000
Separate accounts	$2,170,000,000
Minimum separate account	$20,000,000
Tax-exempt clients	
Pooled	2
Separate	64
Types of accounts managed	CEFGJ
No. of portfolio managers	5

Olympic Capital Management Inc. is an active equity, active and passive fixed-income and balanced manager.

Its equity approach uses sector rotation and Graham & Dodd analysis. Its fixed-income approach uses interest rate anticipation and sector analysis.

The asset mix Jan. 1 was 46% equities, 42% bonds and 12% cash.

The firm follows 1,000 stocks closely and 200, generally; 20% of research is generated internally.

The parent is United Asset Management.

Clients include Boeing, Pacific Gas & Electric, State of Oregon and United Methodist Church.

John S. Crowl is chief investment officer and client contact.

One Federal Asset Management

1 Federal St., Boston, Mass. 02211;
(617) 292-3178

Total assets managed	$1,895,000,000
Tax-exempt assets managed	
Total	$1,115,000,000
Pooled accounts	$284,000,000
Separate accounts	$831,000,000
401(k)/457 assets managed	$240,000,000
No. of 401(k)/457 plans	2
Mortgage-backed assets	$134,000,000
Dedicated/immunized assets	$4,000,000
Minimum separate account	$3,000,000
Tax-exempt clients	
Pooled	1
Separate	21
Types of accounts managed	CEFJG
No. of portfolio managers	13
Size of research staff	2

One Federal Asset Management is an active equity, active fixed-income, balanced and short-term manager.

Its growth-oriented equity approach uses a bottom-up, fundamental stock selection process. In fixed income, it uses risk-controlled active bond management to establish a benchmark to meet client objectives.

The asset mix Jan. 1 was 29% equity, 21% bonds, 38% cash and 12% mortgage-backed securities.

The parent is Shawmut National Corp.

Bradford J. Johnson, president, is chief investment officer; Albert B. Vandam, director-marketing and client services, is client contact.

Oppenheimer Capital

Oppenheimer Tower, World Financial
Center, New York, N.Y. 10281;
(212) 667-7515

Total assets managed	$10,386,000,000
Tax-exempt assets managed	
Total	$10,133,000,000
Separate accounts	$10,133,000,000
401(k)/457 assets managed	$56,000,000
No. of 401(k)/457 plans	3
International equity assets	$82,000,000
Dedicated/immunized assets	$197,000,000
Minimum separate equity account	$5,000,000
Minimum separate bond account	$20,000,000
Tax-exempt clients	345
Types of accounts managed	CEFGJ
No. of portfolio managers	22
Size of research staff	3

Oppenheimer Capital is an active equity, active fixed-income, balanced and tactical asset allocation manager.

Its equity approach focuses on elements of value that include business segments, undedicated cash flow and hidden assets. Asset allocation is determined by analyzing financial liquidity and levels of market valuation.

In fixed-income, the firm looks for sector, maturity and quality groups of the bond market that provide highest yield at lowest price with least risk.

Options and stock index futures are used.

The asset mix Jan. 1 was 46% equity, 13% bonds, 20% cash and 21% options and futures.

Portfolio insurance is provided to two clients and covers $238 million.

The parent is Oppenheimer Financial Corp.

George A. Long, managing director, is chief investment officer; Frank P.L. Minard, managing director, is client contact.

Ostendorf-Morris Properties

1100 Superior Ave., Cleveland, Ohio
44114; (216) 861-7200

Total assets managed	$30,000,000
Tax-exempt assets managed	$0
Minimum separate account	$4,000,000
No. of portfolio managers	1
Size of research staff	1

Ostendorf-Morris Properties Inc., a real estate manager, selects properties in which the firm's experience in development, construction, financing, property management and asset management can be combined to produce long-range profits.

The parent is Ostendorf-Morris Co.

Lawrence A. Kell, president, is chief investment officer and client contact.

P

Pacific Century Advisers

1200 Third Ave., Suite 1800, San
Diego, Calif. 92101; (619) 544-1252

Total assets managed	$5,794,000,000
Tax-exempt assets managed:	
Total	$1,847,000,000
Pooled accounts	$654,000,000
Separate accounts	$1,193,000,000
Minimum separate account	$5,000,000
Tax-exempt clients:	
Pooled	148
Separate	92
Types of accounts managed	CEFGJ
No. of portfolio managers	11
Size of research staff	2

Pacific Century Advisers Inc. is an active equity, active fixed-income, balanced, tactical asset allocation, short-term and convertible securities manager.

Its equity approach is driven by a stock selection process that focuses on companies demonstrating positive rates of change in earnings, price and industry-relative strength. This approach is supplemented by a top-down overlay looking at economic rates of change and sector-relative strength.

Its fixed-income approach uses interest rate anticipation and sector analysis. The firm uses several techniques, including laddering of maturities, variable barbelling and diversification by maturity, quality and industry.

Options and financial futures are used at times.

The asset mix Jan. 1 was 50% equities, 45% bonds and 5% cash.

The parent is Security Pacific National Bank.

U.S. tax-exempt clients include Los Angeles County, Baxter Travenol, John Anderson Foundation and Olin.

Joel R. Swanson is chief investment officer; Clark R. Gates, managing director, is client contact.

Pacific Financial Cos.

700 Newport Center Drive, Newport
Beach, Calif. 92660; (714) 640-3030

Total assets managed	$27,000,000,000
Total discretionary assets	$22,197,000,000
Tax-exempt assets managed	
Total	$20,455,000,000
Pooled accounts	$649,000,000
Separate accounts	$14,204,000,000
GICs	$2,324,000,000
Annuities	$820,000,000
Other	$2,458,000,000
Equity real estate assets	$576,000,000
Mortgage assets	$1,156,000,000
Mortgage-backed assets	$4,232,000,000
International equity assets	$172,000,000
International fixed-income assets	$311,000,000
Equity indexed assets	$132,000,000
Fixed-income indexed assets	$32,000,000
Dedicated/immunized assets	$3,712,000,000
Tax-exempt clients	
Pooled	212
Separate	105
Types of accounts managed	CEFJG
No. of portfolio managers	40
Size of research staff	10

Pacific Financial Cos., through subsidiaries and business units, offer equity, fixed-income, balanced, international, money market and guaranteed investment products.

The parent is Pacific Mutual Life Insurance Co.

William Cvengros, executive vice president, is chief investment officer; Robert Southard, managing director, is client contact.

The assets of the following units are included in the data above.

- Pacific Mutual Life Insurance Co. manages $5 billion in tax-exempt assets. Its products include GICs, funding agreements, guaranteed annuities and GuarDex.

Mr. Cvengros is chief investment officer; Mr. Southard is client contact.

- PM Capital Management manages $261 million in tax-exempt assets.

Its fixed-income approach is designed to manage interest rate risk, rather than anticipate it. The yield spreads between securities and among sectors are tracked to exploit inefficiencies or mispricing; credit analysis is used. Duration targeting is a specialty. Other significant capabilities include high-yield bonds and utility stocks.

The asset mix Jan. 1 was 85% bonds, 5% cash and 10% mortgage-backed securities.

Larry Card, managing director, is chief investment officer; Mr. Southard is client contact.

- Pacific Financial Asset Management Corp. has $400 million in tax-exempt assets managed by separate subsidiaries. The firm is the holding company for the remaining subsidiaries listed below. It provides pooled fund packaging capabilities for these subsidiaries for midsize pension plans.

Mr. Cvengros is chief investment officer; Mr. Southard is client contact.

- Pacific Investment Management Co. manages $13 billion in tax-exempt assets.

Its equity approach is contrarian, using quantitative techniques and large-cap growth stocks. Through its valuation methodology, it focuses on seasoned, high-quality companies with consistent above-average earnings growth. Its fixed-income approach is active, seeking value across all sectors. Major swings in duration are avoided. Options and financial futures are used.

The asset mix Jan. 1 was 3% equity, 61% bonds, 17% cash and 19% mortgage-backed securities.

William Gross, managing director, is chief investment officer; James F. Muzzy, managing director, is client contact.

- Parametric Portfolio Associates Inc., managing $457 million in tax-exempt assets, is a global equity manager using proprietary quantitative methods.

The asset mix Jan. 1 was 99% equity and 1% cash.

Mark England-Markun, managing director, is chief investment officer; William E. Cornelius, managing director, is client contact.

- Cadence Capital Management Corp. manages $90 million in tax-exempt assets.

Its equity approach is a disciplined, bottom-up process that focuses on issues offering a combination of improving fundamentals and favorable valuations. This approach is used for core equity and small-cap strategies.

All assets were in equity Jan. 1.

David Breed, managing director, is chief investment officer; Jock McQuilkin, managing director, is client contact.

- PMRealty Advisors manages $422 million in tax-exempt assets.

It concentrates on multitenant industrial and retail properties in high-growth corridors of major metropolitan areas. Individual portfolios and a series of closed-end funds are offered.

All assets Jan. 1 were in equity real estate.

Pete Hammer, managing director, is client contact.

- NFJ Investment Group Inc., formed in February, had $130 million in tax-exempt assets March 1. (That amount is not included in the parent's total.)

Its primary equity approach is a disciplined, low p/e style. The approach also is applied to an income-oriented strategy and a concentrated equity style.

Ben Fischer and Christopher Najork, managing directors, head investment operations; John Johnson, managing director, is client contact.

Pacific Financial Asset Management Corp.

700 Newport Center Drive, Newport
Beach, Calif. 92660; (714) 640-3030

See entry for PACIFIC FINANCIAL COS.

25 largest GIC providers

Firm	$ mils.*
Prudential Asset	18,145
Metropolitan Life	17,026
Equitable Life	14,100
Aetna Life	14,058
Travelers	9,559
New York Life	7,866
John Hancock Financial	7,190
The Principal	5,407
Provident Nat'l	4,934
Mass. Mutual Life	3,245
Continental Assurance	2,700
Connecticut Mutual Life	2,632
Mutual Benefit Life	2,443
Pacific Financial	2,324
The New England	2,229
Crown Life	2,179
MONY Financial	2,106
State Mutual	2,093
Washington Square	1,996
Hartford Life	1,550
Great-West Life	1,452
Allstate Life	1,448
Confederation Life	1,321
UNUM Life	1,311
Home Life	1,209
TOTAL	130,525

* discretionary, tax-exempt assets

Pensions & Investment Age takes a look at the best corporate treasury departments in the June 12 issue.

Pacific Financial Research
9601 Wilshire Blvd., Suite 828, Beverly Hills, Calif. 90210; (213) 278-4461

Total assets managed	$2,145,000,000
Tax-exempt assets managed	
Total	$1,972,000,000
Separate accounts	$1,972,000,000
Minimum separate account	$25,000,000
Tax-exempt clients	57
Types of accounts managed	CEFJG
No. of portfolio managers	6
Size of research staff	2

Pacific Financial Research is an equity-oriented manager. Its equity approach is value-oriented and contrarian, using Graham & Dodd analysis and low p/e securities. Its fixed-income approach views bonds as equity substitutes and buys when bonds are cheaper than stocks. Portfolios are structured to capture value between stocks and bonds.

The asset mix Jan. 1 was 75% stocks, 20% bonds and 5% cash.

Clients include Litton, FMC, Lockheed and Vassar College.

James H. Gipson, president, is chief investment officer and client contact.

Pacific Investment Management Co.
840 Newport Center Drive, Suite 360, Newport Beach, Calif. 92660; (714) 640-3031

See entry for PACIFIC FINANCIAL COS.

Pacific Mutual Life Insurance
700 Newport Center Drive, Newport Beach, Calif. 92660; (714) 640-3030

See entry for PACIFIC FINANCIAL COS.

Palley-Needelman Asset Management Inc.
1501 Quail St., Suite 110, Newport Beach, Calif. 92660; (714) 752-2233

Total assets managed	$320,000,000
Tax-exempt assets managed	
Total	$215,000,000
Separate accounts	$215,000,000
Minimum separate account	$1,000,000
Tax-exempt clients	82
Types of accounts managed	CEFJG
No. of portfolio managers	4
Size of research staff	1

Palley-Needelman Asset Management Inc. is an active equity and balanced manager.

It purchases low p/e, high-yield, low-beta, strong balance sheet equity issues with positive free cash flow and stable industry characteristics. It uses bottom-up security selection and top-down asset allocation. In fixed-income, it is a duration specialist, using short to intermediate government and high-grade corporate securities.

The asset mix Jan. 1 was 75% stocks, 20% bonds and 5% cash.

Roger B. Palley is chief investment officer; Steven M. Borowski and Raymond F. Pentz are client contacts.

Palm Beach Capital Management Ltd.
205 Royal Palm Way, Palm Beach, Fla. 33480; (407) 655-7255

Total assets managed	$284,000,000
Tax-exempt assets managed	
Total	$20,000,000
Separate accounts	$20,000,000
Mortgage-backed assets	$1,000,000
Minimum separate account	$2,000,000
Tax-exempt clients	12
Types of accounts managed	EF
No. of portfolio managers	6

Palm Beach Capital Management Ltd. is an active equity, active fixed-income, balanced and short-term manager.

In equities, it uses Graham & Dodd and quantitative analysis, focusing on low p/e stocks. Its multifactor model screens 1,000 companies, with the top quintile undergoing fundamental review. Options are used. In fixed-income, it anticipates interest rates, focusing on undervalued sectors.

The asset mix Jan. 1 was 45% stocks, 35% bonds, 15% cash and 5% mortgage-backed securities.

Thomas Keresey is chief investment officer; Floyd L. Wideman Jr. is client contact.

Paramteric Portfolio Associates Inc.
7310 Columbia Center, 701 Fifth Ave., Seattle, Wash. 98104; (206) 386-5575

See entry for PACIFIC FINANCIAL COS.

Parker Dillon Carlson & Johnson Inc.
120 W. Third St., Suite 300, Dayton, Ohio 45402; (513) 223-0600

Total assets managed	$32,000,000
Tax-exempt assets managed	
Total	$22,000,000
Pooled accounts	$19,,000,000
Separate accounts	$3,000,000
401(k)/457 assets managed	$1,000,000
No. of 401(k)/457 plans	5
Minimum separate account	$1,000,000
Tax-exempt clients	
Pooled	44
Separate	3
Types of accounts managed	CF
No. of portfolio managers	3

Parker Dillon Carlson & Johnson Inc. is an active equity, passive fixed-income, balanced and short-term manager.

Its equity approach maintains a carefully diversified portfolio of small to midsize companies using a disciplined relative valuation process for buy/sell decisions. Its fixed-income approach maintains a diversified portfolio of U.S. government securities with an average maturity of three years.

The asset mix Jan. 1 was 45% stocks, 40% bonds and 15% cash.

Leslie O. Parker III, president, is chief investment officer and client contact.

Payden & Rygel
333 S. Grand Ave. Suite 3250, Los Angeles, Calif. 90071; (213) 625-1900

Total assets managed	$7,095,000,000
Tax-exempt assets managed	
Total	$4,575,000,000
Separate accounts	$4,575,000,000
401(k)/457 assets managed	$595,000,000
No. of 401(k)/457 plans	7
Minimum separate account	$25,000,000
Tax-exempt clients	40
Types of accounts managed	CEFJG
No. of portfolio managers	8
Size of research staff	8

Payden & Rygel is an active fixed-income and short-term manager.

It specializes in managing short-term fixed income (zero to five years) with an emphasis on high quality and liquidity. Options are used.

All tax-exempt assets were in fixed income Jan. 1.

Clients include Sacramento Employees, Kansas Employees and United Technologies.

Joan A. Payden, president, is chief investment officer; Jack E. Reynolds, vice president, is client contact.

PCM International
745 Broad St., 2 Plaza, Newark, N.J. 07101; (201) 802-4559

Total assets managed	$4,949,000,000
Tax-exempt assets managed	
Total	$1,233,000,000
Pooled accounts	$709,000,000
Separate accounts	$524,000,000
International equity assets	$156,000,000
International bond assets	$1,077,000,000
Minimum separate equity account	$10,000,000
Minimum separate bond account	$20,000,000
Tax-exempt clients	
Pooled	41
Separate	7
Types of accounts managed	CG
No. of portfolio managers	9
Size of research staff	3

PCM International is an active international/global equity and fixed-income and currency manager.

Its primary equity approach identifies the best earnings prospects relative to current price and avoids stocks exposed to bear markets globally. Defensive currency hedging techniques are used. Its primary fixed-income approach uses active currency and maturity management. It owns government-quality securities in markets that are fundamentally sound. Options and fixed-income futures are used.

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**Performance data quoted represents past performance. Investment return and principal value will fluctuate and redemption value may be more or less than original cost.*

PIA

The asset mix Jan. 1 was 13% equities and 87% bonds.

PCM is an affiliate of Prudential Investment Corp., a subsidiary of Prudential Insurance.

Clients include Army & Air Force Exchange Service, Hawaii Public Employees and United Technologies.

Barry Gillman, chief executive officer, is chief investment officer; J. Eric Nelson, director of client services, is client contact.

Peckham Boston Advisors

4 Longfellow Place, Suite 3305,
Boston, Mass. 02114; (617)
523-4440

Total assets managed	$40,000,000
Tax-exempt assets managed	
Total	$40,000,000
Separate accounts	$40,000,000
Equity real estate assets	$40,000,000
Minimum separate account	$1,000,000
Tax-exempt clients	4
Types of accounts managed	C
No. of portfolio managers	3

Peckham Boston Advisors, a real estate manager, emphasizes properties net leased to strong national companies. Parameters include guaranteed fixed income combined with upside potential.

All assets were in equity real estate Jan. 1.

John M. Peckham III is chief investment officer; R. Beeman, of Boston Financial, is client contact.

Pembroke Management Ltd.

1010 Sherbrooke St. W., Suite 818,
Montreal, Quebec H3A 2R7; (514)
848-1991

Total assets managed	$300,000,000
Tax-exempt assets managed	
Total	$155,000,000
Separate accounts	$155,000,000
For subsidiaries of U.S. firms	$40,000,000
Minimum separate account	$10,000,000
Tax-exempt clients	3
U.S. subsidiaries	1
Types of accounts managed	C
No. of portfolio managers	5

Pembroke Management Ltd., a Canadian firm, is an active equity manager specializing in high-growth equity investments in Canada and the United States. The firm emphasizes investment in owner/entrepreneur-operated small to midsize companies.

The asset mix Jan. 1 was 92% Canadian stocks and 8% cash.

Ian A. Coutar is president and chief investment officer; Jeffery S.D. Tory is client contact.

Penn Mutual Life Insurance

Independence Square, Philadelphia,
Pa. 19172; (215) 625-5000

Total assets managed	$5,478,000,000
Total discretionary assets	$5,478,000,000
Tax-exempt assets managed:	
Total	$2,033,000,000
Pooled accounts	$141,000,000
GICs	$581,000,000
Annuities	$592,000,000
Other	$719,000,000
401(k)/457 assets managed	$586,000,000
No. of 401(k)/457 plans	595
Types of accounts managed	CJ
No. of portfolio managers	3
Size of research staff	3

Penn Mutual Life Insurance Co. is an active equity, active and passive fixed-income and short-term manager.

Its primary equity approach is to buy growth stocks with low valuations in market sectors with positive relative performance. Allocation to equities is based on capital market analysis.

Its fixed-income approach is based on comprehensive capital market analysis to facilitate interest rate anticipation. Sector analysis is used to find relative value.

Options and financial futures are used.

The separate account asset mix Jan. 1 was 40% equity, 15% bonds and 45% cash.

The insurer follows 60 stocks closely and 120, generally; 35% of research is generated internally.

William V. Ferdinand is chief investment officer; Borden Ayers is client contact.

Penreal Advisors Ltd.

1090 W. Georgia St., Suite 700,
Vancouver, British Columbia V6E
3E7; (604) 685-8351

See entry for AMI ASSET MANAGEMENT INTERNATIONAL INC.

Pension Management Co.

616 Post Oak Tower, Houston, Texas
77056; (713) 552-1880

Total assets managed	$40,000,000
Tax-exempt assets managed	
Total	$32,000,000
Separate accounts	$32,000,000
401(k)/457 assets managed	$2,000,000
No. of 401(k)/457 plans	4
Tax-exempt clients	100
Types of accounts managed	CG
No. of portfolio managers	2
Size of research staff	4

Pension Management Co. is an active equity, active fixed-income, hedged funds, gold stock and balanced manager.

Its primary equity approach uses sector rotation and market timing with growth and low p/e stocks. Its fixed-income approach uses sector analysis.

The asset mix Jan. 1 was 34% equity and 66% bonds.

John Lee is chief investment officer and client contact.

Pension Portfolio Advisors

25800 Northwestern Hwy., P.O. Box
2165, Southfield, Mich. 48037-2165;
(313) 357-4125

Total assets managed	$250,000,000
Tax-exempt assets managed	
Total	$250,000,000
Assigned to other firms	$250,000,000
Minimum separate account	$200,000
Types of accounts managed	CJG
No. of portfolio managers	7
Size of research staff	2

Pension Portfolio Advisors is a manager of managers. Of the assets above, $180 million is passed to its parent company, Maccabees Life Insurance Co. for management; the balance is run by external managers.

Active and passive equity, balanced and passive international/global equity products are offered through external managers. Passive, growth stock and equity income strategies are employed. The fixed-income approaches offered are based upon interest rate anticipation, sector analysis and maturity and quality.

Donald I. Gregg is chief investment officer; Carole Beauchemin is client contact.

Peregrine Capital Management Inc.

512 Nicollet Mall, Suite 830,
Minneapolis, Minn. 55402-1099;
(612) 372-9088

Total assets managed	$1,144,000,000
Tax-exempt assets managed:	
Total	$803,000,000
Pooled accounts	$353,000,000
Separate accounts	$450,000,000
401(k)/457 assets managed	$105,000,000
Mortgage-backed assets	$76,000,000
International equity assets	$26,000,000
Minimum separate account	$5,000,000
Tax-exempt clients:	
Pooled	1
Separate	16
Types of accounts managed	CEG
No. of portfolio managers	7

Peregrine Capital Management Inc. is an active equity, active fixed-income and fixed-income portfolio insurance manager.

Its equity approach uses an aggressive, emerging-growth style seeking information gaps in small companies with potential for price appreciation. Its growth style seeks high-quality stocks.

The total return fixed-income approach uses below-market durations to control volatility and emphasizes high credit-quality issues to provide safety while searching for innovative features to enhance returns. The positive return approach combines appreciation potential with a floor.

The asset mix Jan. 1 was 66% equities, 8% bonds, 16% cash and 10% mortgage-backed securities.

Portfolio insurance is provided to one pooled fund covering $46 million.

The parent is Norwest Corp.

Robert B. Mersky is chief investment officer; Derek G. Hepworth is client contact.

Perkins Capital Management

919 Twelve Oaks Center, 15500
Wayzata Blvd., Wayzata, Minn.
55391; (612) 473-8367

Total assets managed	$35,000,000
Tax-exempt assets managed	
Total	$14,000,000
Separate accounts	$14,000,000
Minimum separate account	$100,000
Tax-exempt clients	15
Types of accounts managed	CF
No. of portfolio managers	1
Size of research staff	2

Perkins Capital Management Inc. is an active equity and balanced manager.

Its equity approach emphasizes market timing and stock selection. It seeks unrecognized, transitional companies for underlying higher earnings and higher p/e ratios. Its fixed-income approach seeks maximum income consistent with perceived quality rating with interest rate anticipation.

The asset mix Jan. 1 was 75% equity, 10% bonds and 15% cash.

Richard W. Perkins, president, is chief investment officer; Harry A. Lindberg Jr., marketing director, is client contact.

Peters, Gamm & West Inc.

8100 E. 22nd St., Bldg. 800, Wichita,
Kan. 67226; (316) 687-2143

Total assets managed	$1,007,000,000
Tax-exempt assets managed:	
Total	$602,000,000
Separate accounts	$602,000,000
Minimum separate account	$5,000,000
Tax-exempt clients	14
Types of accounts managed	CEFJG
No. of portfolio managers	4

Peters, Gamm & West Inc., an active fixed-income, short-term and direct placements manager, uses uses economic analysis and projection to anticipate interest rate moves. Fixed-income futures are used.

The asset mix Jan. 1 was 67% bonds and 33% cash.

U.S. tax-exempt clients include Kansas Public Employees, Wisconsin Public Service and MDU Resources.

Don S. Peters is chief investment officer; Kurt Coughenour, director of marketing, is client contact.

Petersen, Flynn & Dinsmore

1208 One Market Plaza, San
Francisco, Calif. 94105; (415)
777-0344

Total assets managed	$360,000,000
Tax-exempt assets managed	$300,000,000
Minimum separate account	$3,000,000
Tax-exempt clients	16
Types of accounts managed	CEFG
No. of portfolio managers	3
Size of research staff	3

Petersen, Flynn & Dinsmore is an active equity, active fixed-income and balanced manager.

Its equity approach emphasizes growth and low p/e stocks. Its fixed-income approach is driven by interest rate anticipation.

The firm follows 50 stocks closely and 1,500, generally.

Don Dinsmore, president, is chief investment officer; Larry Petersen is client contact.

Petroleum & Resources

7 St. Paul St., Baltimore, Md. 21202;
(301) 752-5900

Total assets managed	$278,000,000
Tax-exempt assets managed:	
Total	$1,000,000
Pooled accounts	$1,000,000
Minimum separate account	$5,000,000
Tax-exempt clients	1
Types of accounts managed	E
No. of portfolio managers	4
Size of research staff	6

Petroleum & Resources Corp., an energy and natural resources equity manager, identifies undervalued stocks by concentrating on microfactors affecting segments of energy and resources industries and macro supply-demand and exogenous factors. Options are used.

The asset mix Jan. 1 was 86% equities and 14% cash.

W.D. MacCallan, chairman and chief executive officer, is chief investment officer; Simeon F. Wooten is client contact.

Philadelphia Investment Management Group

1616 Walnut St., Suite 2011,
Philadelphia, Pa. 19103; (215)
545-0079

Total assets managed	$125,000,000
Tax-exempt assets managed:	
Total	$65,000,000
Separate accounts	$65,000,000
401(k)/457 assets managed	$5,000,000
No. of 401(k)/457 plans	7
Minimum separate account	$250,000
Tax-exempt clients	17
Types of accounts managed	CEFJ
No. of portfolio managers	4
Size of research staff	2

Philadelphia Investment Management Group is an active equity, passive fixed-income, balanced and precious metals manager.

Its quantitative/qualitative equity approach purchases stocks with low institutional ownership and traditional income statement, balance sheet and funds flow ratios. The fixed-income approach is biased toward intermediate maturities.

The asset mix Jan. 1 was 60% equities, 15% bonds, 10% cash and 15% convertible securities.

William M. Shettle, president, is chief investment officer; Mr. Shettle and Howard Trauger, vice president, are client contacts.

Philippe Investment Management Inc.

122 E. 42nd St., New York, N.Y.
10168; (212) 687-3616

Total assets managed	$816,000,000
Tax-exempt assets managed:	
Total	$375,000,000
Separate accounts	$375,000,000
International equity assets	$335,000,000
International cash assets	$40,000,000
Minimum separate account	$25,000,000
Tax-exempt clients	4
Types of accounts managed	CG
No. of portfolio managers	6
Size of research staff	6

Philippe Investment Management Inc. is continuing the international equity fund management business previously conducted by Wertheim-Philippe International, which has been dissolved.

The investment style incorporates both top-down and bottom-up methodologies. Equal weight is placed on country, sector and stock decisions. Portfolios are diversified with approximately 100 securities, and moderate use is made of cash equivalents. Generally, one-third of the holdings is in smaller-cap issues; 30% to 40% are not in the representative indexes.

The asset mix Jan. 1 was 90% foreign equity and 10% foreign cash.

Clients include GTE Investment Management and the State of Oregon.

Beatrice Philippe, managing director, is chief investment officer; Claudette Mayer, director of marketing and client services, is client contact.

Phillips Hager & North Ltd.

1700-1055 W. Hastings St.,
Vancouver, British Columbia V6E
2H3; (604) 684-4361

Total assets managed	$3,099,000,000
Tax-exempt assets managed:	
Total	$2,747,000,000
Pooled accounts	$210,000,000
Separate accounts	$2,537,000,000
For subsidiaries of U.S. firms	$545,000,000
Minimum separate account	$10,000,000
Tax-exempt clients:	
Pooled	40
Separate	70
U.S. subsidiaries	11
Types of accounts managed	CEFGU
No. of portfolio managers	5
Size of research staff	7

Phillips Hager & North Ltd., a Canadian firm, is an active equity, active fixed-income, balanced, tactical asset allocation and short-term manager.

Its equity approach is value-oriented, focusing on consistently strong return on equity without excessive leverage.

Its primary fixed-income approach is interest rate anticipation. The key decision is related to duration, but the firm is an active trader doing swaps, arbitrage and other switches.

The asset mix Jan. 1 was 42% Canadian stocks, 8% U.S. stocks, 40% bonds and 10% cash.

Its clients include Ford, Nabisco, Monsanto and Weldwood.

Richard F. Bradshaw, president, is chief investment officer; Marina Matei, vice president, is client contact.

The Phoenix

100 Bright Meadow Blvd., Enfield,
Conn. 06082; (203) 253-1000

Total assets managed	$7,000,000,000
Total discretionary assets	$3,740,000,000
Tax-exempt assets managed:	
Total	$2,862,000,000
Pooled accounts	$542,000,000
Separate accounts	$242,000,000
GICs	$1,046,000,000
Other	$1,032,000,000
401(k)/457 assets managed	$155,000,000
No. of 401(k)/457 plans	1,625
Equity real estate assets	$393,000,000
Minimum separate account	$10,000,000
Tax-exempt clients:	
Pooled	1,152
Separate	10
Types of accounts managed	CEFJG
No. of portfolio managers	11
Size of research staff	10

The Phoenix is an active equity, active fixed-income, balanced, real estate and short-term manager.

Its equity approach seeks the most earnings growth at the lowest relative price. Loss avoidance is emphasized. In fixed-income, interest rate anticipation and sector analysis are used. Options and financial futures are used.

In real estate, it makes participating investments in developmental and existing properties in suburban markets, acquiring them at below-market prices and diversifying by geography and property type.

The separate account asset mix Jan. 1 was 25% equity, 5% bonds, 25% cash and 45% equity real estate.

Clients include Armtek, State of Connecticut, Hartford Hospital and Black & Decker.

Philip R. McLoughlin is chief investment officer; H. Russell Irving, vice president-pension marketing and sales, is client contact.

Piedmont Capital Management Associates

300 WatersEdge, Hilton Head, S.C.
29928; (803) 785-3330

Total assets managed	$343,000,000
Tax-exempt assets managed:	
Total	$20,000,000
Separate accounts	$20,000,000
Minimum separate account	$5,000,000
Tax-exempt clients	7
Types of accounts managed	CJ
No. of portfolio managers	3

Piedmont Capital Management Associates Inc. is a passive equity, active fixed-income, high-yield, balanced and short-term manager.

Its fixed-income approach is to maximize total return subject to specified risk guidelines. Evaluation is determined by seasonal, cyclical and secular interest rates. Maturity and sector distribution are emphasized.

The asset mix Jan. 1 was 90% bonds and 10% cash.

Walter M. Campbell is chief investment officer; Margot R. McCord is client contact.

Piedmont Realty Advisors

650 California St., 22nd Floor, San
Francisco, Calif. 94108; (415)
433-4100

Total assets managed	$120,000,000
Tax-exempt assets managed:	
Total	$120,000,000
Pooled accounts	$40,000,000
Separate accounts	$80,000,000
Equity real estate assets	$44,000,000
Mortgage assets	$76,000,000
Minimum separate account	$50,000,000
Tax-exempt clients:	
Pooled	6
Separate	1
Types of accounts managed	CJG
No. of portfolio managers	10
Size of research staff	1

Piedmont Realty Advisors, a real estate manager, acquires and manages investments in office buildings, apartments, retail, industrial and land nationwide. The firm's primary investment structures are equity joint ventures and participating debt with nationally recognized developers.

The asset mix Jan. 1 was 37% equity real estate and 63% participating debt.

Robert H. Zerbst, president, is chief investment officer and client contact.

Pierson Capital Management

Public Ledger Building, Suite 1036,
Philadelphia, Pa. 19106; (215)
625-0188

Total assets managed	$100,000,000
Tax-exempt assets managed	
Total	$15,000,000
Separate accounts	$15,000,000
401(k)/457 assets managed	$2,000,000
No. of 401(k)/457 plans	1
Minimum separate account	$500,000
Tax-exempt clients	15
Types of accounts managed	CEF
No. of portfolio managers	3

Pierson Capital Management Inc. is an active equity, active fixed-income and balanced manager.

Its equity approach is bottom-up, focusing on low p/e and growth stocks. In fixed-income, it uses convertibles and maturity-constrained government obligations.

The asset mix Jan. 1 was 60% equities, 30% bonds and 10% cash.

The parent is Pierson, Heldring & Pierson NV.

Daniel E. Devine, executive vice president, is chief investment officer; Mark C. Hanna, executive vice president, is client contact.

Pilgrim Baxter Greig & Associates

1255 Drummers Lane, Wayne, Pa.
19087; (215) 341-9000

Total assets managed	$1,219,000,000
Tax-exempt assets managed	
Total	$1,219,000,000
Pooled accounts	$25,000,000
Separate accounts	$1,194,000,000
Equity indexed assets	$1,219,000,000
Tax-exempt clients	
Pooled	1
Separate	16
Types of accounts managed	CG
No. of portfolio managers	1
Size of research staff	5

Pilgrim Baxter Greig & Associates is an equity and mutual funds manager that focuses on growth stocks.

The asset mix Jan. 1 was 79% equities and 21% cash.

The firm follows 400 stocks closely and 400, generally; all research is generated internally.

Clients include Pennsylvania Public School Employes, Southwestern Bell, Kansas Public Employees and Rockwell International.

Gary L. Pilgrim is chief investment officer; Harold J. Baxter, president and chief executive officer, is client contact.

PIMS Investment Management Services

P.O. Box 281 Bates Drive,
Pickerington, Ohio 43147; (614)
864-7100

Total assets managed	$250,000,000
Tax-exempt assets managed	$15,000,000
Real estate assets	$6,000,000
Minimum separate account	$500,000
Tax-exempt clients	20
Types of accounts managed	C
No. of portfolio managers	2
Size of research staff	1

PIMS Investment Management Services is an equity, fixed-income and balanced manager.

Its equity approach is value-oriented, focusing on stocks that are undervalued relative to selected financial and earnings momentum criteria.

Its primary fixed-income approach is based on interest rate anticipation an the risk/reward relationships between market sectors as evidenced by the yield spread over comparable Treasuries.

The parent is Physicians Insurance Co. of Ohio.

William G. Henderly, president, is chief investment officer; James H. Ritter, vice president, is client contact.

Pinnacle Associates Ltd.

630 Fifth Ave., Suite 240, New York,
N.Y. 10111; (212) 757-7333

Total assets managed	$370,000,000
Tax-exempt assets managed	
Total	$260,000,000
Separate accounts	$260,000,000
Minimum separate account	$5,000,000
Tax-exempt clients	19
Types of accounts managed	CEFG
No. of portfolio managers	3
Size of research staff	2

Pinnacle Associates Ltd. is an active equity and balanced manager.

Its primary equity approach places greatest emphasis on small and mid-size companies. The firm uses opportunistic, bottom-up, often contrary strategy to discover undervalued equities with potential for above average returns.

Its fixed-income approach, used only for balanced accounts, is passive. Maturities are limited to seven years and staggered, and the security is held until it comes due.

The asset mix Jan. 1 was 83% equities, 7% bonds and 10% cash.

Thomas Passios, president, is chief investment officer and client contact.

Pioneering Management

60 State St., Boston, Mass. 02108;
(617) 742-7825

Total assets managed	$6,353,000,000
Tax-exempt assets managed	
Total	$656,000,000
Pooled accounts	$252,000,000
Separate accounts	$404,000,000
Minimum separate account	$10,000,000
Tax-exempt clients	
Separate	7
Types of accounts managed	CEFJG
No. of portfolio managers	7
Size of research staff	13

Pioneering Management Corp. is an active equity and active fixed-income manager.

For equity investments, it maintains a basic value approach, using fundamental, original research with long-term investment horizons.

Its fixed-income approach is based on active duration management, stressing high-quality issues, preservation of principal and a low maturity risk profile.

The asset mix Jan. 1 was 84.3% equities, 12% bonds and 3.7% cash.

The parent is Pioneer Group Inc.

David D. Tripple is executive vice president and chief investment officer; Z. Andrew Yarumian, vice president, is client contact.

Pittsburgh National Bank

Pittsburgh National Building, Third
Floor, Pittsburgh, Pa. 15265; (412)
762-4641

Total assets managed	$6,540,000,000
Tax-exempt assets managed	
Total	$3,920,000,000
Commingled accounts	$857,000,000
Separate accounts	$3,063,000,000
401(k)/457 assets managed	$237,000,000
No. of 401(k)/457 plans	78
Mortgage-backed assets	$117,000,000
International equity assets	$72,000,000
International cash assets	$47,000,000
Equity indexed assets	$5,000,000
Dedicated/immunized assets	$84,000,000
Tax-exempt clients	1,427
Types of accounts managed	CEFJG
No. of portfolio managers	6
Size of research staff	18

Pittsburgh National Bank is an equity, fixed-income, balanced, global/international, GIC and short-term manager.

Its equity approach is multifaceted. Portfolio policy is oriented toward market timing, stressing sector allocation. Stock selection emphasizes a value approach seeking stocks with low absolute and/or relative multiples. An international portfolio stressing a low p/e strategy is available. Additional equity products are offered by PCM International and A I M Management Group, the bank's subsidiaries.

Its fixed-income approach is based on interest rate anticipation and sector yield spread analysis.

The asset mix Jan. 1 was 47% stocks, 41% bonds, 9% cash and 3% mortgage-backed securities.

The parent is PNC Financial Corp.

Ted Harhai is client contact.

Platner & Associates

Chamber of Commerce Building, 462
Walnut St., Allentown, Pa. 18102;
(215) 821-0160

Total assets managed	$24,000,000
Tax-exempt assets managed	
Total	$4,000,000
Separate accounts	$4,000,000
Minimum separate account	$100,000
Tax-exempt clients	8
Types of accounts managed	C
No. of portfolio managers	1
Size of research staff	1

Platner & Associates is an active equity, passive fixed-income, balanced and short-term manager.

Its primary equity approach uses emerging growth and growth stocks, and sector rotation. Its primary fixed-income approach is based on interest rate anticipation.

The asset mix Jan. 1 was 53% equity, 27% bonds, 15% cash and 5% specialty investments.

Robert F. Platner, is the chief investment officer and client contact.

Pensions & Investment Age will publish its Book of Lists in the Dec. 25 issue.

PM Capital Management

700 Newport Center Drive, Newport
Beach, Calif. 92660; (714) 640-3030

See entry for PACIFIC FINANCIAL COS.

PMRealty Advisors

800 Newport Center Drive, Suite 300,
Newport Beach, Calif. 92660; (714)
721-5000

See entry for PACIFIC FINANCIAL COS.

Portfolio Capital Management Inc.

2 Fairview Plaza, Suite 610, 5950
Fairview Road, Charlotte, N.C.
28210; (704) 552-0073

Total assets managed	$64,000,000
Tax-exempt assets managed	
Total	$39,000,000
Separate accounts	$39,000,000
401(k)/457 assets managed	$500,000
No. of 401(k)/457 plans	1
Minimum separate account	$500,000
Tax-exempt clients	21
Types of accounts managed	CEF
No. of portfolio managers	2
Size of research staff	1

Portfolio Capital Management Inc. is an active equity, active and passive fixed-income and balanced manager.

Its equity approach focuses on stocks with below-average p/e ratios and with favorable earnings momentum. It uses Graham & Dodd analysis.

Its fixed-income approach uses staggered maturities, with a weighted average maturity of two to five years depending on its interest rate forecast.

The asset mix Jan. 1 was 35% stocks, 60% bonds and 5% cash.

R. Hatten Hodges J[illegible]s chief investment officer; Marc J [illegible] Durica is client contact.

The Portfolio Group Inc.

30 Rockefeller Plaza, New York, N.Y.
10112; (212) 621-2370

Total assets managed	$1,522,000,000
Tax-exempt assets managed	
Total	$316,000,000
Pooled accounts	$143,000,000
Separate accounts	$173,000,000
401(k)/457 assets managed	$100,000,000
No. of 401(k)/457 plans	50
Mortgage-backed assets	$30,000,000
International equity assets	$3,000,000
Minimum separate account	$500,000
Tax-exempt clients	
Pooled	135
Separate	92
Types of accounts managed	CEFJ
No. of portfolio managers	12
Size of research staff	1

The Portfolio Group Inc. is an active equity, active fixed-income, balanced and short-term manager.

Its value/growth equity screening discipline identifies companies with superior returns on investment whose stocks sell at reasonable valuations.

Its fixed-income approach uses disciplined management, adjusting duration depending upon its three- to six-month interest rate forecast.

The asset mix Jan. 1 was 24% equity, 40% bonds, 16% cash, 10% mortgage-backed securities and 10% cash equivalents.

The parent is Chemical Banking Corp.

Timothy J. Morris, president, is the chief investment officer; James M. O'Donnell, senior vice president, is the client contact.

Portfolio Timing Inc.

1102 Broadway Plaza, Suite 402,
Tacoma, Wash. 98402; (206)
383-1676

Total assets managed	$27,000,000
Tax-exempt assets managed	
Total	$21,000,000
Separate accounts	$21,000,000
401(k)/457 assets managed	$2,000,000
No. of 401(k)/457 plans	12
Minimum separate account	$35,000
Tax-exempt clients	285
Types of accounts managed	CE
No. of portfolio managers	1

Portfolio Timing Inc. is an active equity, active fixed-income, balanced and short-term manager.

Its equity approach is a 100% movement of assets between no-load equity mutual funds and money market funds using a proprietary timing model. Its fixed-income approach is to move between long-term no-load bond funds and money market funds.

All assets Jan. 1 were in cash.

Carl J. Kludt, president and portfolio manager, is chief investment officer; Les Cathersal, vice president-marketing, is client contact.

Posthorn Global Asset Management Ltd.

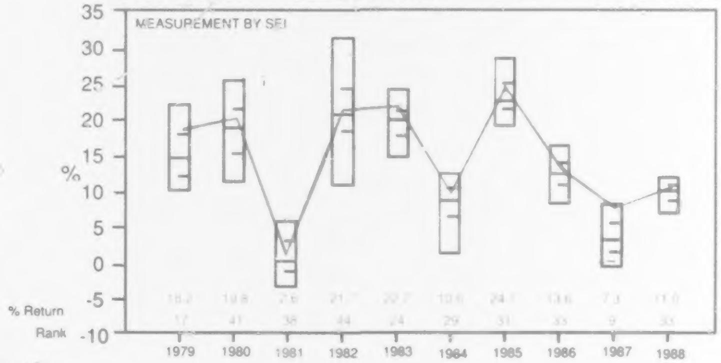
31 W. 52nd St., New York, N.Y.
10019; (212) 767-3093

Total assets managed	$1,297,000,000
Tax-exempt assets managed	
Total	$763,000,000
Separate accounts	$763,000,000
International equity assets	$519,000,000
International fixed-income assets	$244,000,000
Minimum separate account	$15,000,000
Tax-exempt clients	17
Types of accounts managed	CF
No. of portfolio managers	12
Size of research staff	4

Posthorn Global Asset Management

Toronto Investment Management

Consistent Performance-Our Trademark



For information
call or write
Tania Murenko

26 Wellington Street East
Suite 900, Toronto
Ontario M5E1S2
(416) 865-0731

Other divisions of AMI

Montreal Investment
Management
Montreal, Quebec
(514) 286-4500
Normand Gagnon

Vanbrit Investment
Management
Vancouver
British Columbia
(604) 687-1393
Tom Sheppard

European & Pacific
Investment Management
Global Management
Vancouver
British Columbia
(604) 687-7306
Len McFarland

A DIVISION OF AMI ASSET MANAGEMENT INTERNATIONAL INC.

Ltd. is an active and passive international/global securities manager.

Its primary equity approach is thematic, identifying global investment themes or forces and using valuation screens to select attractively priced companies benefiting from these themes. Its primary fixed-income approach is based on active currency and interest rate management. Returns in four major currency blocks are forecast to take significant currency and interest rate bets, controlling risk-and-return trade-offs.

Options and fixed-income futures are used.

The asset mix Jan. 1 was 68% equity and 32% bonds.

The parent is Shearson Lehman Hutton, a unit of American Express.

Karl Van Horn, chairman, is chief investment officer; Susan Leader, director-marketing, is client contact.

Potomac Asset Management

5247 Wisconsin Ave. N.W., Unit 5,
Washington, D.C. 20015; (202)
364-6900

Total assets managed	$251,000,000
Tax-exempt assets managed:	
Total	$230,000,000
Separate accounts	$230,000,000
401(k)/457 assets managed	$5,000,000
No. of 401(k)/457 plans	2
Minimum separate account	$1,000,000
Tax-exempt clients	23
Types of accounts managed	CEFJ
No. of portfolio managers	4
Size of research staff	1

Potomac Asset Management Inc. is an active equity, active fixed-income and balanced manager.

Its equity approach is bottom-up, value oriented and risk averse, using Graham & Dodd analysis to screen for emerging growth, growth or special situation stocks. An earnings-yield screen is used.

Its fixed-income approach uses economic analysis and forecasting to determine interest sensitivity of the portfolio. Maturity selections are based on yield curve. All corporate assets are available for swapping.

The asset mix Jan. 1 was 70% equities, 25% bonds and 5% cash.

Peter Ladd Gilsey is chief investment officer; Howard McK. Tucker is client contact.

Premier Investment Advisors

201 St. Charles Ave., Suite 4318, New
Orleans, La. 70170-4318; (504)
582-1234

Total assets managed	$1,359,000,000
Tax-exempt assets managed:	
Total	$646,000,000
Pooled accounts	$236,000,000
Separate accounts	$410,000,000
Minimum separate equity account	$3,000,000
Minimum separate bond account	$5,000,000
Tax-exempt clients:	
Pooled	1
Separate	106
Types of accounts managed	CEFJG
No. of portfolio managers	7

Premier Investment Advisors is an active equity, active fixed-income, balanced and short-term manager.

It uses a disciplined selection process to screen equity issues by p/e to achieve the optimal level of return and risk. For fixed-income investments, the average dollar-weighted maturity is managed within a seven- to 12-year range. Government and agency issues are used primarily, with portfolios upgraded/downgraded depending on sector spreads, and lengthened/shortened depending on interest rate forecasts.

The asset mix Jan. 1 was 25% stocks, 70% bonds and 5% cash.

The parent is Premier Bancorp.

Donald Allred is chief investment officer; Kennard Ross is client contact.

Prescott Asset Management

1331 Euclid Ave., Cleveland, Ohio
44115; (216) 574-8838

Total assets managed	$538,000,000
Tax-exempt assets managed:	
Total	$394,000,000
Separate accounts	$394,000,000
Mortgage-backed assets	$22,000,000
Minimum separate account	$1,000,000
Tax-exempt clients	123
Types of accounts managed	CEF
No. of portfolio managers	9

Prescott Asset Management, formerly Selected Financial Services Inc., is an active equity, active fixed-income, balanced and short-term manager.

Its equity approach is value-oriented, focusing on low p/e stocks. Options and fixed-income futures are used.

The asset mix Jan. 1 was 35% equity, 48% bonds and 17% cash.

The parent is Prescott, Ball & Turben Inc.

U.S. tax-exempt clients include Cleveland Builders Supply and American Bar Association.

Raymond Druhot, executive vice president, is chief investment officer; Peggy Garrison, vice president-marketing, is client contact.

T. Rowe Price Associates

100 E. Pratt St., Baltimore, Md. 21202;
(301) 547-2000

Total assets managed	$22,390,000,000
Tax-exempt assets managed:	
Total	$10,846,000,000
Pooled accounts	$3,814,000,000
Separate accounts	$7,032,000,000
401(k)/457 assets managed	$809,000,000
No. of 401(k)/457 plans	245
Equity real estate assets	$79,000,000
Mortgage-backed assets	$784,000,000
Fixed-income indexed assets	$2,250,000,000
Minimum separate account	$5,000,000
Tax-exempt clients:	
Separate	134
Types of accounts managed	CEFJG
No. of portfolio managers	19
Size of research staff	31

T. Rowe Price Associates Inc. is an active and passive equity, active and passive fixed-income, balanced and short-term cash manager.

Through subsidiaries, it offers real estate, guaranteed investment contract, venture capital and international/global management.

It offers a range of active and semi-passive strategies. Internally generated fundamental research is used to identify trends and companies of interest. Options are used.

Its active fixed-income approach uses economic analysis, interest rate anticipation and duration analysis. In-house credit research helps avoid volatility.

Charles H. Salisbury Jr., vice president and director, is client contact.

Rowe Price Fleming International, which handles its parent's international/global accounts, is profiled separately. The following subsidiaries' assets are included in the figures above.

- T. Rowe Price Realty Advisers Inc. manages $79 million in tax-exempt assets.

It invests in income-producing, commercial properties using active portfolio and asset management to achieve stable income and enhance appreciation potential. Separate management and closed-end funds are offered.

The asset mix Jan. 1 was 100% equity real estate.

Reid G. Samuelson, president, is chief investment officer; James D. Alexander, vice president, is client contact.

- T. Rowe Price Guaranteed Asset Advisers Inc. manages $925 million in tax-exempt assets.

Its investment style combines traditional active fixed-income management, e.g. credit analysis and interest rate forecasting, with contemporary stable asset (GIC) management.

The asset mix Jan. 1 was 90% GICs and 10% cash.

Kenneth L. Walker, president and principal, is chief investment officer; Kenneth L. Lewis is client contact.

Rowe Price-Fleming International Inc.

100 E. Pratt St., Baltimore, Md. 21202;
(301) 547-2141

Total assets managed	$2,633,000,000
Tax-exempt assets managed:	
Total	$2,114,000,000
Pooled accounts	$552,000,000
Separate accounts	$1,562,000,000
401(k)/457 assets managed	$14,000,000
International equity assets	$1,581,000,000
International fixed-income assets	$319,000,000
International cash assets	$214,000,000
Minimum separate equity account	$10,000,000
Minimum separate bond account	$20,000,000
Tax-exempt clients:	
Pooled	544
Separate	22
Types of accounts managed	CEFG
No. of portfolio managers	11
Size of research staff	75

Rowe Price-Fleming International Inc. is an active international equity and active and passive international fixed-income manager.

Its equity approach uses top-down/bottom-up methods and country selection as key components of its overall investment strategy. Its fixed-income approach applies an analysis of interest and exchange rate movements over a short and intermediate range to obtain a balance between income and capital appreciation. Options and fixed-income futures are used.

The asset mix Jan. 1 was 71% international equity, 20% international bonds and 9% cash.

The parent is T. Rowe Price Associates/Fleming Group.

U.S. tax-exempt clients include GM, GTE, The Common Fund and State of Oregon.

Martin G. Wade, president, is chief investment officer; David M. Gong, executive vice president, is client contact.

T. Rowe Price Guaranteed Asset Advisers Inc.

4435 Waterfront Drive, Suite 306, Glen
Allen, Va. 23060; (804) 346-0227

See entry for T. ROWE PRICE ASSOCIATES INC.

T. Rowe Price Realty Advisers Inc.

515 S. Flower St., 31st Floor, Los
Angeles, Calif. 90071; (213)
239-8800

See entry for T. ROWE PRICE ASSOCIATES INC.

PRIMA

27777 Inksler Road, Farmington Hills,
Mich. 48333; (313) 473-3300

Total assets managed	$82,000,000
Tax-exempt assets managed:	
Total	$53,000,000
Pooled accounts	$3,000,000
Separate accounts	$50,000,000
Minimum separate account	$5,000,000
Tax-exempt clients:	
Pooled	21
Separate	4
Types of accounts managed	CFG
No. of portfolio managers	2

PRIMA, an active fixed-income and short-term manager, uses interest rate anticipation and active trend following.

It analyzes price movements of Treasuries over historical time periods to identify patterns that systematically repeat and correlate with periods of strong performance.

All assets Jan. 1 were in cash.

The parent is Michigan National Corp.

U.S. tax-exempt clients include City of Detroit, UAW and Michigan National.

Josef Blass, executive vice president, is chief investment officer; Barbara Baker, first vice president, is client contact.

PRIMCO Capital Management Inc.

2220 Meidinger Tower, Louisville, Ky.
40202; (502) 589-2011

Total assets managed	$4,735,000,000
Tax-exempt assets managed:	
Total	$4,735,000,000
Pooled accounts	$573,000,000
Separate accounts	$4,162,000,000
401(k)/457 assets managed	$4,098,000,000
No. of 401(k)/457 plans	30
Minimum separate account	$20,000,000
Tax-exempt clients:	
Pooled	3
Separate	34
Types of accounts managed	CEFJG
No. of portfolio managers	4
Size of research staff	7

PRIMCO Capital Management Inc. is a guaranteed return manager.

Its investment approach concentrates on sector and issuer analysis, allowing for the minimization or elimination of risk charges otherwise assessed the portfolio with the benefit of maximized GIC yields in all interest rate environments accruing to the fund.

The asset mix Jan. 1 was 98% GICs and 2% cash.

Clients include Ashland Oil, Boise Cascade, Occidental Petroleum and United Telecommunications.

Vernon S. Hodge, president, is chief investment officer; John J. Monahan, vice president, is client contact.

PRIMECAP Management Co.

225 S. Lake Ave., Suite 400,
Pasadena, Calif. 91101-3005; (818)
304-9222

Total assets managed	$2,180,000,000
Tax-exempt assets managed:	
Total	$1,994,000,000
Separate accounts	$1,994,000,000
Minimum separate account	$100,000,000
Tax-exempt clients	18
Types of accounts managed	CEF
No. of portfolio managers	4
Size of research staff	2

PRIMECAP Management Co., an active equity manager, uses fundamental analysis with growth stocks and sector rotation. It has a value orientation and a focus on long-term capital growth.

The asset mix Jan. 1 was 94% equities and 6% cash.

The firm follows 300 stocks closely and 900, generally; 75% of research is generated internally.

Clients include Bell Atlantic, Caterpillar, Eastman Kodak and Ford.

Howard B. Schow, chairman, is chief investment officer; Mitchell J. Milias, president, is client contact.

Princeton Investment Management

145 Witherspoon St., Princeton, N.J.
08542; (609) 924-6070

Total assets managed	$70,000,000
Tax-exempt assets managed	$17,000,000
Minimum separate account	$250,000
Tax-exempt clients	5
Types of accounts managed	CF
No. of portfolio managers	1
Size of research staff	1

Princeton Investment Management is an active equity, active fixed-income and balanced manager.

Its equity approach is value oriented and uses Graham & Dodd analysis and low p/e ratio screens. Its fixed-income approach uses sector analysis and interest rate anticipation. Options are used.

The parent is Primm & Co. Inc.

William Primm is chief investment officer and client contact.

The Principal

711 High St., Des Moines, Iowa
50309; (515) 247-6791

Total assets managed	$18,430,000,000
Total discretionary assets	$18,430,000,000
Tax-exempt assets managed:	
Total	$14,308,000,000
Pooled accounts	$1,180,000,000
GICs	$5,407,000,000
Annuities	$1,963,000,000
Other	$5,758,000,000
401(k)/457 assets managed	$3,350,000,000
No. of 401(k)/457 plans	5,520
Equity real estate assets	$198,000,000
Mortgage assets	$8,000,000,000
Mortgage-backed assets	$38,000,000
International equity assets	$30,000,000
Tax-exempt clients:	
Pooled	7,500
Types of accounts managed	CGJ
No. of portfolio managers	6
Size of research staff	25

The Principal is an active equity, active fixed-income, real estate, tactical asset allocation, active international equity and short-term manager.

U.S. equity management is available through a pooled fund that is managed by a subsidiary, Invista Capital Management. A value-oriented approach is used for international equity investing.

Its fixed-income approach is fundamental, using both public and private markets and focusing on interest rates, credit risk, maturities and terms.

Its real estate approach emphasizes newly constructed, fully leased buildings of less than $30 million. It focuses on low leverage with national diversification.

The separate account asset mix Jan. 1 was 2.5% equity, 12.8% bonds, 2.2% cash, 12.8% equity real estate, 13.2% mortgages, 3.2% mortgage-backed securities and 53.3% commercial paper.

Clients include Digital Equipment, Rensselaer Polytechnic, Meredith and Lubrizol.

The parent is The Principal Financial Group.

Roy Ehrle, executive vice president, is chief investment officer; Dan J. Fitzgerrell, director-pension investment services, is client contact.

Pring Turner Capital Group

P.O. Box 329, Washington Depot,
Conn. 06794; (203) 868-9244

Total assets managed	$51,000,000
Tax-exempt assets managed:	
Total	$14,000,000
Separate accounts	$14,000,000
Minimum separate account	$500,000
Tax-exempt clients	19
Types of accounts managed	C
No. of portfolio managers	2
Size of research staff	2

Pring Turner Capital Group is a balanced and tactical asset allocation manager.

Its primary equity approach uses proprietary barometers to provide a disciplined framework for sector rotation and equity participation.

Based on interest rate anticipation, its proprietary barometers and business cycle analysis provide disciplined fixed-income implementation.

The asset mix Jan. 1 was 45% equities, 10% bonds and 45% cash.

Joseph Turner is chief investment officer; Thomas T. Daniels (East Coast) and Bruce Fraser (West Coast) are client contacts.

Property Capital Associates

200 Clarendon St., Boston, Mass.
02116; (617) 536-8600

Total assets managed	$880,000,000
Tax-exempt assets managed:	
Total	$780,000,000
Pooled accounts	$695,000,000
Separate accounts	$85,000,000
Equity real estate assets	$780,000,000
Minimum separate account	$50,000,000
Tax-exempt clients:	
Pooled	50
Separate	2
Types of accounts managed	CEFG
No. of portfolio managers	2

Property Capital Associates, a real estate manager, invests selectively in major income-producing properties nationwide. It seeks relatively high yields and inflation protection through increases in current returns and long-term capital values.

All tax-exempt assets Jan. 1 were in equity real estate.

Clients include Allied-Signal, Eastman Kodak, Harvard and Maine State Retirement.

Anthony Fox is chief investment officer; Thomas Mizo is client contact.

Provident Capital Management Inc.

1700 Market St., Suite 2720,
Philadelphia, Pa. 19103-3899; (215)
561-6000

Total assets managed	$3,100,000,000
Tax-exempt assets managed:	
Total	$3,100,000,000
Pooled accounts	$537,000,000
Separate accounts	$2,563,000,000
401(k)/457 assets managed	$172,000,000
No. of 401(k)/457 plans	35
International equity assets	$37,000,000
Minimum separate account	$10,000,000
Tax-exempt clients:	
Pooled	200
Separate	44
Types of accounts managed	CEG
No. of portfolio managers	8
Size of research staff	1

Provident Capital Management Inc. is an active equity, active fixed-income, balanced and active international equity manager.

Its primary equity approach is team- and value-oriented using a bottom-up strategy focusing on low p/es.

Its fixed-income approach uses a full range of securities with sector and credit analysis and interest rate anticipation driving duration.

The asset mix Jan. 1 was 43% equities, 38% bonds and 19% cash.

The firm follows 250 stocks closely and 600, generally; 75% of the research is generated internally.

The parent is PNC Financial Corp.

Clients include Westinghouse Electric, NYSE, Boeing and Dow Chemical.

Paul R. Lesutis, executive vice president, is chief investment officer; John

C.E. Campbell, vice president-marketing and client relations, is client contact.

Provident Investment Counsel

225 S. Lake Ave., Pasadena, Calif.
91106; (818) 449-8500

Total assets managed	$2,639,000,000
Tax-exempt assets managed	
Total	$2,306,000,000
Pooled accounts	$104,000,000
Separate accounts	$2,202,000,000
Minimum separate account	$500,000
Tax-exempt clients	
Pooled	2
Separate	196
Types of accounts managed	CEFJG
No. of portfolio managers	9
Size of research staff	4

Provident Investment Counsel is an active equity, active fixed-income and balanced manager.

Its equity approach combines growth and emerging growth stocks. It systematically and in a disciplined manner buys companies that have superior financial characteristics and are experiencing an accelerating rate of earnings growth.

Its primary fixed-income approach is based on interest rate trend recognition and the study of macroeconomic factors influencing that trend. Sector weightings for fixed-income holdings are based on computer-aided relative value analysis.

Financial futures are used.

The asset mix Jan. 1 was 71% equities, 19% bonds and 10% cash.

Clients include State of Kansas, Avon, GM and the NFL.

Robert M. Kommerstad, chairman, is chief investment officer; Jeffrey J. Miller, executive vice president, is client contact.

Provident Mutual Life Insurance Co.

1600 Market St., Philadelphia, Pa.
19101; (215) 636-5000

Total assets managed	$7,400,000,000
Total discretionary assets	$830,000,000
Tax-exempt assets managed	
Total	$830,000,000
Pooled accounts	$162,000,000
GICs	$310,000,000
Annuities	$19,000,000
Other	$339,000,000
401(k)/457 plan assets	$214,000,000
No. of 401(k)/457 plans	127
Equity real estate assets	$3,000,000
Mortgage assets	$28,000,000
Minimum separate account	$50,000
Tax-exempt clients	
Pooled	480
Types of accounts managed	CGJ
No. of portfolio managers	5
Size of research staff	7

Provident Mutual Life Insurance Co is an active equity, active fixed-income, balanced and short-term manager.

It has two equity strategies. Its aggressive equity fund works to achieve a high level of long-term capital appreciation by investing in securities of a diverse group of smaller emerging-growth companies. The value equity fund's objective is to achieve above-average long-term growth of capital using a low p/e selection process.

Its fixed-income approach establishes interest rates at the beginning of the year given anticipated new money rates. Interest is credited/debited in following year as experience warrants.

The asset mix Jan. 1 was 72% stocks, 15% bonds and 13% cash.

Stanley Reber is senior vice president and chief investment officer; Andy Witman, assistant vice president, is client contact.

Provident National Assurance Co.

1 Fountain Square, Chattanooga,
Tenn. 37402; (615) 755-1901

Total assets managed	$5,834,000,000
Total discretionary assets	$5,834,000,000
Tax-exempt assets managed	
Total	$5,801,000,000
Pooled accounts	$74,000,000
GICs	$4,934,000,000
Annuities	$607,000,000
Other	$186,000,000
401(k)/457 assets managed	$3,947,000,000
No. of 401(k)/457 plans	400
Types of accounts managed	CEGJ
No. of portfolio managers	2
Size of research staff	3

Provident National Assurance Co. is primarily a GIC and annuities manager.

The separate account asset mix Jan. 1 was 59% bonds, 40% mortgages and 1% other.

Its U.S. tax-exempt clients include Xerox, IBM, AT&T and United Airlines.

The parent is Provident Life & Accident Insurance Co.

John A. Weber is senior vice president and chief investment officer; Winston C. Profio, vice president-marketing, is client contact.

Prudential Asset Management Group

745 Broad St., Newark, N.J. 07101;
(201) 802-8697

Total assets managed	$60,370,000,000
Total discretionary assets	$58,521,000,000
Tax-exempt assets managed	
Total	$58,179,000,000
Pooled accounts	$11,803,000,000
Separate accounts	$8,039,000,000
GICs	$18,145,000,000
Annuities	$10,343,000,000
Other	$9,849,000,000
401(k)/457 assets managed	$4,928,000,000
No. of 401(k)/457plans	351
Equity real estate assets	$4,949,000,000
Mortgage assets	$10,361,000,000
International equity assets	$63,000,000
International fixed-income assets	$901,000,000
Equity indexed assets	$923,000,000
Fixed-income indexed assets	$404,000,000
Dedicated/immunized assets	$5,187,000,000
Minimum separate account	$10,000,000
Tax-exempt clients	
Pooled	600
Separate	21
Types of accounts managed	CEFJG
No. of portfolio managers	68
Size of research staff	700

Prudential Asset Management Group, through its subsidiaries, offers active and passive equity, active and passive fixed-income, balanced, tactical asset allocation, real estate, active and passive international, short-term and venture capital capabilities. Options and fixed-income futures are used.

Its separate account asset mix Jan. 1 was 29% equity, 39.2% bonds, 8% cash, 22.8% equity real estate and 1% mortgages.

Clients include Alcoa, Sony, IBM and Western Conference of Teamsters.

The parent is The Prudential Insurance Co. of America.

Garnett L. Keith, president and chief executive officer of Prudential Investment Corp. and vice chairman and chief investment officer of Prudential Insurance, is chief investment officer; James A. Blanchard, senior vice president of Prudential Asset Management Co., is client contact.

The following units' assets are included in the numbers above.

- PRIFORM Investment Management invests in large-cap (S&P 500) stocks with good fundamental earnings and selling at attractive relative prices. More than $1.6 billion in tax-exempt assets is managed using the PRIFORM approach.
- MIDCO Investors manages equity portfolios of small to midsize companies having capitalizations between $75 million and $600 million. Approximately $369 million in tax-exempt assets is under the MIDCO approach.
- First Essex Capital Management manages $769.1 million in equities, using a fundamental stock selection process and investing in good businesses selling at attractive prices.
- Investment Index Technologies Inc., Intech, manages approximately $923 million in domestic and foreign stock index portfolios.
- Prudential Fixed-Income Advisors manages almost $9.3 billion in private placements and bond index funds, dedicated and immunized portfolios, laddered maturity and high-yield bond portfolios, and money market funds.
- The Prudential Realty Group manages approximately $5 billion in real estate investments.
- Prudential Diversified Investment Strategies provides asset allocation services and discretionary portfolio management for more than $6.5 billion of pension assets.
- Prudential Asia Investments Ltd.,

Creative solutions for tough problems.

Trust services from First Interstate Bank.

Maybe you've tried—without success—to sweep excess funds directly into an investment fund during the day, rather than at the end.

Or to invest late funds in commercial paper after New York markets have closed. Or to move funds automatically between your trust and checking accounts.

First Interstate Bank, as the discretionary manager of multiple pooled investment funds, cracks tough nuts like these every day. We offer a wealth of creative approaches that include both quantitative and fundamental methodologies. And we cover global and domestic equities, fixed-income investments, and money markets.

You can count on us to tailor services to your needs for investment management, employee benefit trust, institutional custody, corporate debt, and stock transfer.

For example, you can benefit from a dedicated trust system that doesn't depend on other subsystems for data…an automated interface with our own ACTION cash management system…an in-house securities operations network for quick interaction with the Federal Reserve and DTC…and the time-zone advantages of a West Coast bank that invests in London, New York, and Tokyo all on the same day.

Our people, too, make a big difference. We want you to fully tap the skills of our professionals and the resources of the nation's largest banking network. Because our goal is not just to provide a product, but to work hand in hand with you as a partner and help your business thrive.

So call your First Interstate representative today. And let us crack your toughest problems.

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managing $63 million, provides investment management expertise in Asian equities.

- The Prudential Venture Capital Management Co. invests $41 million in direct and partnership venture funding.
- The Prudential Insurance Co. of America manages $38.5 billion in guaranteed investments.

Other Prudential units, whose assets are not reflected above and which are profiled separately, are: Matrix Capital Management; PCM International; GIM Global Advisors; Mercator Asset Management; Capital Supervisors Inc.; Hallmark Capital Management Inc; and Jennison Associates.

Prudential Assurance Co.

300-141 Adelaide St. W., Toronto,
Ontario M5H 3L9; (416) 362-4441

Total assets managed	$2,950,000,000
Tax-exempt assets managed:	
Total	$430,000,000
Pooled accounts	$150,000,000
Separate accounts	$280,000,000
For subsidiaries of U.S. firms	$25,000,000
Non-North American bonds	$30,000,000
Minimum separate account	$5,000,000
Tax-exempt clients:	
Pooled	84
Separate	11
U.S. subsidiaries	9
Types of accounts managed	CU
No. of portfolio managers	8

Prudential Assurance Co. Ltd. Pension Fund Management, a Canadian firm, is a balanced, real estate and short-term manager.

Its equity approach is fundamentalist and active, using sector rotation, market timing and Graham & Dodd analysis. It concentrates on marketable Canadian stocks and weights industries against index-sub groups. Quantitative analysis is used to construct U.S. portfolios. Its fixed-income approach uses interest rate anticipation, concentrating on high-quality, marketable bonds. Portfolios are well diversified and actively traded.

In real estate, the firm syndicates ownership interests in major city business and commercial properties to pension funds.

The asset mix Jan. 1 was 35% Canadian stocks, 7% U.S. stocks, 40% bonds and 18% cash.

The parent is Prudential Corp.

R.W. Morrison, senior vice president-investments, is chief investment officer; K. Kukkonen, manager-pension sales, is client contact.

Prudential-Bache Investment Management

9 W. 57th St., 40th Floor, New York,
N.Y. 10019; (212) 415-5800

Total assets managed	$1,000,000,000
Tax-exempt assets managed:	
Total	$232,000,000
Separate accounts	$232,000,000
401(k)/457 assets managed	$1,000,000
No. of 401(k)/457 plans	1
Minimum separate account	$100,000
Tax-exempt clients	105
Types of accounts managed	CEFJ
No. of portfolio managers	8

Prudential-Bache Investment Management is an active equity, active and passive fixed-income and balanced manager.

Its primary equity approach is value-oriented, focusing on low p/e stocks. Its fixed-income approach uses interest rate anticipation.

The asset mix Jan. 1 was 40% equity, 40% bonds and 20% cash.

The parent is Prudential-Bache Securities, a subsidiary of Prudential Insurance.

Stuart Shikiar, senior investment officer, is chief investment officer; Jeffrey Laikind, managing director, is client contact.

PSM Investors

121 Judy Farm Road, Carlisle, Mass.
01741; (508) 369-0033

Total assets managed	$400,000,000
Tax-exempt assets managed:	
Total	$350,000,000
Pooled accounts	$350,000,000
Minimum separate account	$50,000
Tax-exempt clients	125
Types of accounts managed	CE
No. of portfolio managers	1

PSM Investors, an active equity manager, uses mutual funds, switching funds as market conditions warrant.

Clients include Chem-Met, Architectural Resources and Thermal Recovery Systems.

Stan Lipstadt, president, is chief investment officer and client contact.

Public Storage Inc.

1015 Grandview Ave., Glendale, Calif.
91201; (818) 244-8080

Total assets managed	$2,943,000,000
Tax-exempt assets managed:	
Total	$1,022,000,000
Equity real estate assets	$1,022,000,000
Minimum separate account	$15,000,000
Tax-exempt clients	130
Types of accounts managed	CEFJG
No. of portfolio managers	9
Size of research staff	18

Public Storage Inc., a real estate asset manager, acquires commercial and high-grade industrial sites and develops, on an all-cash basis, self-storage facilities and business parks.

All assets were in equity real estate Jan. 1.

Clients include Ameritech, Eastman Kodak, United Technologies, Ford and Oregon Public Employees.

Hugh Horne, president-acquisitions and development division, is chief investment officer; Bill Chadwick, president-institutional realty, is client contact.

The Putnam Cos. Inc.

1 Post Office Square, Boston, Mass.
02109; (617) 292-1200

Total assets managed	$40,802,000,000
Tax-exempt assets managed:	
Total	$7,850,000,000
Pooled accounts	$79,000,000
Separate accounts	$7,771,000,000
401(k)/457 assets managed	$120,000,000
No. of 401(k)/457 plans	2
Mortgage-backed assets	$172,000,000
International equity assets	$213,000,000
Fixed-income indexed assets	$1,639,000,000
Dedicated/immunized assets	$756,000,000
Minimum separate account	$10,000,000
Tax-exempt clients:	
Pooled	3
Separate	147
Types of accounts managed	CEFJG
No. of portfolio managers	45
Size of research staff	48

The Putnam Cos. Inc. is a global multiasset manager.

Its equity approach seeks investment positions in four areas: quality growth, focusing on stocks with superior quality, growth and value characteristics; specialty equity, concentrating on medium- and small-cap companies with rapid earnings growth; OTC emerging growth, investing in small-cap companies with superior earnings growth expectations; and basic value, seeking undervalued companies with earnings and dividend growth rates equal to the market and above-market yield.

Its fixed-income approach is disciplined and systematic, working to achieve predictable returns independent of interest rate moves and seeking opportunities to add value through yield curve changes.

Options and financial futures are used.

The asset mix Jan. 1 was 20% equities, 77% bonds, 1% cash and 2% mortgage-backed securities.

The parent is The Marsh & McLennan Cos. Inc.

Clients include Central States Teamsters, Baltimore Gas & Electric and City of New York.

Senior managing directors and chief investment officers are Francis H.M. Kelly, equities; Gary N. Coburn, fixed income; and Anthony W. Regan, international. Orie L. Dudley Jr., senior managing director, is client contact.

Q

Quadrex Capital Management

500 Park Ave., New York, N.Y. 10022;
(212) 750-1122

Total assets managed	$120,000,000
Tax-exempt assets managed	$0
Minimum separate account	$10,000,000
No. of portfolio managers	4

Quadrex Capital Management, an active fixed-income manager, uses interest rate anticipation to actively manage portfolios while minimizing the impact of volatility. Financial futures are used.

The parent is Quadrex Securities Corp.

Werner Genieser is chief investment officer; Matthew R. Cody, vice president, is client contact.

Qualified Counseling Inc.

46 Prince St., Rochester, N.Y. 14607;
(716) 461-9130

Total assets managed	$160,000,000
Tax-exempt assets managed:	
Total	$100,000,000
Separate accounts	$100,000,000
Minimum separate equity account	$300,000
Tax-exempt clients	135
Types of accounts managed	CEF
No. of portfolio managers	5

Qualified Counseling Inc. is an active equity, active fixed-income, balanced and short-term manager.

Its equity approach uses sector rotation and takes a conservative, top-down approach, selecting undervalued sectors and industries within which specific stocks are chosen. It also uses a top-down approach to develop the interest rate scenario and sector analysis for fixed-income decisions.

The asset mix Jan. 1 was 20% stocks, 65% bonds and 15% cash.

Jeffrey G. Anderson, vice president, is chief investment officer; Kevin P. Gavagan, vice president, is client contact.

Qualivest Capital Management Inc.

P.O. Box 2758, Portland, Ore. 97208;
(503) 275-6806

Total assets managed	$2,489,000,000
Tax-exempt assets managed:	
Total	$762,000,000
Pooled accounts	$646,000,000
Separate accounts	$116,000,000
401(k)/457 assets managed	$519,000,000
No. of 401(k)/457 plans	14
Minimum separate account	$2,000,000
Tax-exempt clients:	
Pooled	17
Separate	11
Types of accounts managed	CEF
No. of portfolio managers	9

Qualivest Capital Management Inc. is an active equity, active fixed-income, balanced and short-term manager.

Its equity approach is based on emerging growth, low p/e and sector rotation. Its fixed-income approach uses sector analysis.

The asset mix Jan. 1 was 60% stocks and 40% bonds.

The firm follows 100 stocks closely and 30 to 100, generally; all research is generated internally.

The parent is U.S. Bancorp.

Gary K. Sweitzer is chief investment officer; Linda D. Davis, account manager, is client contact.

QuantiLogic Asset Management Co. Inc.

44 Montgomery St., Suite 864, San
Francisco, Calif. 94104; (415)
434-1130

Total assets managed	$499,000,000
Tax-exempt assets managed:	
Total	$499,000,000
Separate accounts	$499,000,000
Minimum separate account	$50,000,000
Tax-exempt clients	1
Types of accounts managed	C
No. of portfolio managers	2
Size of research staff	1

QuantiLogic Asset Management Co. Inc. follows a quantitative tactical asset allocation investment approach.

It uses valuation and economic cycle analysis to measure expected risks and returns. Options and financial futures are used.

The asset mix Jan. 1 was 62% stocks and 38% bonds.

The client is PacTel.

A. Darrell Braswell, managing director, is chief investment officer; Jeffrey L. Winter, managing director, is client contact.

PIPER results from the second quarter of 1989 will be detailed in the Aug. 21 edition of *Pensions & Investment Age*.

R

RAC Advisors Inc.

4000 Town Center, Suite 101,
Southfield, Mich. 48075; (313)
358-2282

Total assets managed	$13,000,000
Tax-exempt assets managed:	
Total	$13,000,000
Separate accounts	$13,000,000
Minimum separate account	$100,000
Tax-exempt clients	3
Types of accounts managed	CF
No. of portfolio managers	1

RAC Advisors Inc. is an active and passive equity, passive fixed-income and balanced manager.

Its primary equity approach uses growth stocks and a low-risk, high-potential valuation method with an emphasis on Graham & Dodd.

The asset mix Jan. 1 was 55% equity, 30% bonds and 15% cash.

The parent is Rodecker & Co. Investment Brokers Inc.

Arthur Rodecker, president, is chief investment officer and client contact.

Rainier Investment Management

1301 Fifth Ave., Seattle, Wash. 98101;
(206) 621-5666

Total assets managed	$989,000,000
Tax-exempt assets managed:	
Total	$989,000,000
Pooled accounts	$100,000,000
Separate accounts	$889,000,000
International equity assets	$1,000,000
Minimum separate account	$2,000,000
Tax-exempt clients:	
Pooled	146
Separate	41
Types of accounts managed	CEFJ
No. of portfolio managers	5

Rainier Investment Management is an active equity, active and passive fixed-income, balanced, short-term and GIC manager.

Its equity approach focuses on growth stocks with a value discipline. Positive earnings surprises, low relative p/e multiples, surplus cash flow generation and financial integrity are emphasized. Its fixed-income approach uses interest rate anticipation and sector analysis. The firm works to maximize income while preserving capital and maintaining low volatility. Portfolios emphasize intermediate maturity and high credit quality.

The asset mix Jan. 1 was 45% stocks, 40% bonds and 15% cash.

The parent is Security Pacific Corp.

Patricia L. Frost, vice president, is chief investment officer; J. Glenn Haber, vice president, is client contact.

Rampart Investment Management Co. Inc.

Exchange Place, Suite 2800, Boston,
Mass. 02109; (617) 742-7400

Total assets managed	$350,000,000
Tax-exempt assets managed:	
Total	$270,000,000
Separate accounts	$270,000,000
Minimum separate account	$5,000,000
Tax-exempt clients	3
Types of accounts managed	C
No. of portfolio managers	5

Rampart Investment Management Co. Inc. is a defined risk-hedged equity and option overwriting manager.

Its equity approach targets the market's long-term rate of return with 50% to 60% less volatility, using exchange-traded options to define and minimize risk exposure.

All assets Jan. 1 were in equities and equity-related options.

George M. DeVoe Jr., managing director, is chief investment officer; R. Ronald Guerriero, executive vice president, is client contact.

Ramsay Investment Counsel

510 Holly Sugar Bldg., Colorado
Springs, Colo. 80903; (719)
473-6925

Total assets managed	$40,000,000
Tax-exempt assets managed:	
Total	$6,000,000
Separate accounts	$6,000,000
Minimum separate account	$100,000
Tax-exempt clients	8
Types of accounts managed	CF
No. of portfolio managers	2
Size of research staff	2

25 largest managers of international/global accounts

Firm	$ mils.*
State Street Bank	5,240
Fiduciary Trust	4,225
J.P. Morgan	3,200
Capital Guardian	2,777
First Chicago Investment	2,568
Morgan Grenfell	2,450
Wells Fargo	2,405
Templeton Int'l	2,347
GE Investments	2,300
Baring Int'l	2,260
Grantham, Mayo	2,214
Rowe Price-Fleming	2,114
Schroder Capital	1,800
WorldInvest	1,609
Warburg Investment	1,541
Morgan Stanley Asset	1,492
Nomura Capital	1,424
Fidelity Int'l	1,300
Batterymarch Financial	1,287
PCM Int'l	1,233
Oechsle Int'l	1,050
Capital Research/Mgmt.	1,038
Scudder, Stevens & Clark	1,017
N.M. Rothschild Int'l	997
Prudential Asset	964
TOTAL	**50,852**

* discretionary, tax-exempt assets

Ramsay Investment Counsel Inc. is an active equity, passive fixed-income and balanced manager.

Its primary equity approach focuses on stocks with a five- to 10-year record of 10% or more growth of income and earnings.

Its primary fixed-income approach is buy-and-hold, to provide higher yield and low risk.

The asset mix Jan. 1 was 43% equity, 33% bonds and 24% cash.

Robert H. Ramsay is chief investment officer and client contact.

RCM Capital Management

4 Embarcadero Center, Suite 2900,
San Francisco, Calif. 94111; (415)
954-5474

Total assets managed	$12,090,000,000
Tax-exempt assets managed:	
Total	$10,575,000,000
Separate accounts	$10,575,000,000
Mortgage-backed assets	$1,163,000,000
International fixed-income assets	$19,000,000
Minimum separate equity account	$15,000,000
Minimum separate bond account	$20,000,000
Tax-exempt clients	102
Types of accounts managed	CEFJG
No. of portfolio managers	10
Size of research staff	23

RCM Capital Management is an active equity, active fixed-income, balanced and short-term manager.

For equities, it seeks out industries and companies growing faster than the market and, through a series of valuation screens and other disciplines, purchases those securities whose growth in earnings and dividends will provide a total return in excess of the market.

Its primary fixed-income approach is based on sector analysis and active duration management. The firm constantly monitors, balances and quantifies risk.

Financial futures are used.

The asset mix Jan. 1 was 53% equity, 19% bonds, 17% cash and 11% mortgage backed securities.

Clients include Chevron, Southern California Edison, Tektronix and Xerox.

Claude N. Rosenberg Jr. is chief investment officer; Melody L. McDonald, partner and director of client services, is client contact.

Rearns Asset Management

227 Washington St., Columbus, Ind.
47201; (812) 372-6606

Total assets managed	$1,105,000,000
Tax-exempt assets managed:	
Total	$1,105,000,000
Separate accounts	$1,105,000,000
Minimum separate account	$50,000,000
Tax-exempt clients	3
Types of accounts managed	C

No. of portfolio managers	2
Size of research staff	4

Reams Asset Management Co. Inc. is an active equity, active fixed-income and balanced manager.

Its equity approach emphasizes security selection; low p/e stocks are favored. Its fixed-income approach uses interest rate anticipation, seeking long-term total returns. Options and fixed-income futures are used.

The asset mix Jan. 1 was 56% stocks, 33% bonds and 11% cash.

The firm follows 100 stocks closely and 100, generally; all research is generated internally.

Fred W. Reams, president, is chief investment officer; L. Paul Berman, senior vice president, is client contact.

W.H. Reaves & Co. Inc.

30 Montgomery St., Jersey City, N.J.
07302; (212) 422-1433

Total assets managed	$653,000,000
Tax-exempt assets managed	
Total	$653,000,000
Separate accounts	$653,000,000
401(k)/457 assets managed	$25,000,000
No. of 401(k)/457 plans	3
Minimum separate account	$5,000,000
Tax-exempt clients	29
Types of accounts managed	CEF
No. of portfolio managers	4
Size of research staff	7

W.H. Reaves & Co. Inc., an active specialty equity manager, takes a conservative approach, committed exclusively to investments in electric utilities, natural gas, energy and telecommunication common stocks. It emphasizes capital preservation and low risk.

The asset mix Jan. 1 was 90% equity and 10% cash.

The firm follows 150 stocks closely and 250, generally; all research is generated internally.

Clients include Eli Lilly, American Electric Power, Teco Energy and Aerospace.

William H. Reaves, president, is chief investment officer; Douglas S. Robertson, vice president, is client contact.

Red Oak Advisors Inc.

Park 80 West, Plaza 1, Saddle Brook,
N.J. 07662; (201) 712-1990

Total assets managed	$20,000,000
Tax-exempt assets managed	
Total	$15,000,000
Separate accounts	$15,000,000
Minimum separate account	$5,000,000
Tax-exempt clients	8
Types of accounts managed	C
No. of portfolio managers	2

Red Oak Advisors Inc. is an active equity, active fixed-income and balanced manager.

Its primary equity approach uses defensive/value investment management, emphasizing above-average dividend yield, low p/e ratio and low ratio of price to tangible book value.

Its primary fixed-income approach is quantitative, using confirmed change in the interaction between interest rate momentum and "real" rate level.

The asset mix Jan. 1 was 85% equity, 5% bonds and 10% cash.

Gary A. Gerstein, managing director, is chief investment officer and client contact.

Reich & Tang L.P.

100 Park Ave., New York, N.Y. 10017;
(212) 370-1110

Total assets managed	$7,500,000,000
Tax-exempt assets managed:	
Total	$1,368,000,000
Pooled accounts	$82,000,000
Separate accounts	$1,286,000,000
Minimum separate account	$20,000,000
Tax-exempt clients:	
Pooled	15
Separate	39
Types of accounts managed	CEFJG
No. of portfolio managers	6

Reich & Tang L.P. is an active equity and active fixed-income manager.

Its primary equity approach is based on value and growth. Through direct fundamental research, the firm seeks to identify superior business franchises that sell at a discount valuation and that have the potential for above-average growth with a minimum of financial and operating risk.

Its primary fixed-income approach employs interest rate anticipation to establish portfolio maturity and uses only Treasuries.

The asset mix Jan. 1 was 82% stocks, 1% bonds and 17% cash.

The firm follows 75 stocks closely and 150, generally; all research is generated internally.

Clients include RJR Nabisco, General Mills, Henry J. Kaiser Foundation and Pfizer.

Robert F. Hoerle is is chief investment officer; Charles P. Dunn, vice president, is client contact.

Reid McCoy Inc.

6 W. Madison St., Baltimore, Md.
21201; (301) 332-0893

Total assets managed	$20,000,000
Tax-exempt assets managed	
Total	$20,000,000
Separate accounts	$20,000,000
Mortgage-backed securities	$4,000,000
Minimum separate account	$1,000,000
Tax-exempt clients	3
Types of accounts managed	G
No. of portfolio managers	2
Size of research staff	1

Reid McCoy Inc., an active fixed-income and short-term manager, supplements its consensus interest rate forecast with an internally generated credit rating and relative market value process to anticipate market movements and maximize total returns.

The asset mix Jan. 1 was 40% bonds, 40% cash and 20% mortgage-backed securities.

Vernon Andrew Reid Jr., principal, is chief investment officer.

Reimer and Koger Associates Inc.

8500 Shawnee Mission Parkway,
Suite 105, Shawnee Mission, Kan.
66202; (913) 236-6700

Total assets managed	$913,000,000
Tax-exempt assets managed	
Total	$792,000,000
Pooled accounts	$14,000,000
Separate accounts	$778,000,000
Minimum separate account	$1,000,000
Tax-exempt clients	
Pooled	4
Separate	31
Types of accounts managed	CEFJG
No. of portfolio managers	6

Reimer and Koger Associates Inc. has five divisions: fixed-income, direct placement, personal, core value and growth equity.

The largest division, core value balanced funds, uses a lower-risk, bottom-up value approach that focuses on quantifying undervalued earnings in a comparative proprietary universe. Buy/sell decisions are made by quantitatively screening 200 issues.

Its fixed-income approach is based on interest rate anticipation, using a duration-based discipline that seeks higher-than-market returns with market risk or less.

Options and financial futures are used.

The asset mix Jan. 1 was 44% stocks, 49% bonds and 7% cash.

Kenneth H. Koger is managing director and chief investment officer; Thomas J. Bash, managing director, is client contact.

Renaissance Investment Management Inc.

3006 Vernon Place, Cincinnati, Ohio
45219; (513) 281-9800

Total assets managed	$1,555,000,000
Tax-exempt assets managed:	
Total	$1,340,000,000
Separate accounts	$1,340,000,000
401(k)/457 assets managed	$17,000,000
No. of 401(k)/457 plans	4
Equity indexed assets	$53,000,000
Minimum separate account	$1,000,000
Tax-exempt clients	218
Types of accounts managed	CEFJG
No. of portfolio managers	11
Size of research staff	2

Renaissance Investment Management Inc. is a tactical asset allocator offering equity, fixed-income, balanced and "swing" account management.

Its investment process is characterized by discipline and objectivity, with quantitatively based techniques and systems used for decision-making. Equities are selected from among the largest 150 stocks in the S&P 500; fixed-income investments are in Treasury issues exclusively.

Three-way asset allocation accounts were 100% in stocks Jan. 1.

Clients include J.M. Smucker, Great American Broadcasting, Kroger and Kansas Power & Light.

Frank W. Terrizzi is chief investment officer and client contact.

Daniel H. Renberg Associates Inc.

8383 Wilshire Blvd., Suite 926, Beverly
Hills, Calif. 90211; (213) 852-0800

Total assets managed	$120,000,000
Tax-exempt assets managed	
Total	$62,000,000
Separate accounts	$62,000,000
Minimum separate account	$500,000
Tax-exempt clients	62
Types of accounts managed	CE
No. of portfolio managers	3

Daniel H. Renberg Associates Inc. is an active equity and balanced manager.

Its equity approach emphasizes emerging and established growth companies and undervalued/special situation companies. Investments are selected using fundamental analysis.

Fixed-income investments are made for specific portfolio objectives.

The asset mix Jan. 1 was 75% stocks, 20% bonds and 5% cash.

Daniel H. Renberg is chief investment officer; Clay J. Stratton is client contact.

Retirement System for Savings Institutions

41 E. 42nd St., New York, N.Y. 10017;
(212) 503-0100

Total assets managed	$284,000,000
Tax-exempt assets managed	
Total	$284,000,000
Pooled accounts	$284,000,000
401(k)/457 assets managed	$38,000,000
No. of 401(k)/457 plans	31
Mortgage assets	$1,000,000
Mortgage-backed assets	$30,000,000
International equity assets	$26,000,000
International cash assets	$3,000,000
Dedicated/immunized assets	$24,000,000
Tax-exempt clients	100
Types of accounts managed	C
No. of portfolio managers	8
Size of research staff	5

The Retirement System for Savings Institutions is an active equity, active fixed-income, balanced, tactical asset allocation, active international equity and short-term manager.

In addition to the assets listed above, it has responsibility for $286 million managed through other firms.

Its equity approach uses emerging growth and low p/e stocks, sector rotation, tactical asset allocation and Graham & Dodd analysis. Different strategies are used for core, value, growth and international funds. Its fixed-income approach uses interest rate anticipation, concentrating on credit review. Its approach is diversified, offering active and dedicated funds. Options and financial futures are used.

The asset mix Jan. 1 was 34.7% stocks, 38.2% bonds, 16.5% cash and 10.6% mortgage-backed securities.

James P. Coughlin is chief investment officer; Diane H. Dudzinski, vice president, is client contact.

Rice, Hall, James & Associates

1200 Third Ave., Suite 1600, San
Diego, Calif. 92101; (619) 239-9005

Total assets managed	$685,000,000
Tax-exempt assets managed:	
Total	$500,000,000
Separate accounts	$500,000,000
Minimum separate account	$700,000
Tax-exempt clients	55
Types of accounts managed	CEF
No. of portfolio managers	7
Size of research staff	3

Rice, Hall, James & Associates is an active and passive equity, active and passive fixed-income and balanced manager.

Its primary equity approach attempts to identify unrecognized values with high-quality earnings and strong balance sheets. It emphasizes long-term fundamental value and good potential for earnings and dividend growth.

Its primary fixed-income approach is protective and emphasizes the use of short and intermediate Treasuries.

The firm follows 100 stocks closely and 200, generally; 25% of research is generated internally.

Louis E. Rice, chairman, is chief investment officer; H. Michael Collins, vice president, is client contact.

T.W. Richardson & Co.

6603 Bay St., Emeryville, Calif. 94608;
(415) 652-0318

Total assets managed	$6,000,000
Tax-exempt assets managed	$0
Minimum separate account	$5,000,000
No. of portfolio managers	1

T.W. Richardson & Co., a real estate manager, does industrial and office land development and building management for its accounts and for controlled partnerships. It also does development consulting for corporate and tax-exempt accounts.

Thomas W. Richardson is chief investment officer and client contact.

Pensions & Investment Age will highlight defined contribution plans in the July 10 issue.

Richmond Capital Management Inc.

10800 Midlothian Turnpike, Richmond,
Va. 23235; (804) 379-8283

Total assets managed	$1,100,000,000
Tax-exempt assets managed:	
Total	$650,000,000
Separate accounts	$650,000,000
Mortgage-backed assets	$26,000,000
Minimum separate account	$10,000,000
Tax-exempt clients	31
Types of accounts managed	CEFG
No. of portfolio managers	4

Richmond Capital Management Inc., an active fixed-income manager, uses four elements of fundamental value analysis in its investment approach. Managers avoid market timing by remaining fully invested and relying on active trading of corporate securities.

The asset mix Jan. 1 was 85% bonds, 11% cash and 4% mortgage-backed securities.

Clients include Raytheon, New Hampshire, University of Michigan and Wisconsin Power & Light

Index Fund Management

Does Your Index Fund Manager Pay His Own Management Fee?

Even though indexing fees are typically very low, they're no bargain if your manager keeps missing market opportunities. If your index fund manager is content to ignore the performance gains available through arbitrage and other enhancements, you may be paying him too much.

Enhanced Index Funds

At Advanced Investment Management (an affiliate of PNC Financial Corp), we've taken advantage of index-based opportunities for our passive management clients. We use our quantitative skills to add small increments of performance, and we've beaten the market handily—without taking active management or stock selection risks. We expect to add between 100 to 300 basis points to the return of the index each year, although similar funds we manage have outperformed the index by more than 500 basis points.

Performance Fees

We are so confident in our system that we back it with a unique fee structure. If our Enhanced Index Fund fails to beat the index by at least 30 basis points, our services are free. And because our fees begin with passive rates, our enhanced index customers pay lower fees than typical actively managed accounts.

So if your index fund manager still charges you for plain vanilla index results, think about what it's costing you. If he can't earn his fee, he's costing you plenty.

Advanced Investment Management

For more information, contact:
J. Thomas Allen, President (412) 762-8894

Charles E. Keller, president, is chief investment officer; L. David Hale, vice president, is client contact.

Richter Asset Management

477 Madison Ave., New York, N.Y.
10022; (212) 753-3100

Total assets managed	$40,000,000
Tax-exempt assets managed	
Total	$31,000,000
Separate accounts	$31,000,000
Minimum separate account	$1,000,000
Tax-exempt clients	[illegible]
Types of accounts managed	CF
No. of portfolio managers	[illegible]

Richter Asset Management Corp., an active equity manager, uses a bottom-up approach incorporating Graham & Dodd analysis.

The asset mix Jan. 1 was 60% equity, 5% bonds and 35% cash.

The firm follows 75 stocks closely and 150, generally; 75% of research is generated internally.

Clients include GTE, Walter Industries and Jim Walter Corp.

Morton Richter, president, is chief investment officer and client contact.

The Riggs National Bank of Washington, D.C.

808 17th St. N.W., Washington, D.C.
20006; (202) 835-6797

Total assets managed	$2,500,000,000
Tax-exempt assets managed	
Total	$1,200,000,000
Commingled accounts	$110,000,000
Separate accounts	$1,090,000,000
401(k)/457 assets managed	$10,000,000
No. of 401(k)/457 plans	18
Minimum separate account	$1,000,000
Tax-exempt clients	
Commingled	100
Separate	250
Types of accounts managed	CEFJG
No. of portfolio managers	16
Size of research staff	4

The Riggs National Bank of Washington D.C. is an active equity, active fixed-income, balanced, tactical asset allocation and short-term manager.

It emphasizes low p/e equities with an above-average dividend yield. Rotation depends upon the business cycle; a nearly fully invested position is maintained.

Its fixed-income approach maintains a core position in intermediate bonds, with emphasis on the short or long end depending on expected interest rate movement.

Stock index futures are used.

The asset mix Jan. 1 was 35% stocks, 55% bonds and 10% cash.

The bank follows 60 stocks closely and 150, generally; 25% of research is generated internally.

The parent is Riggs National Corp.

Harold C. Warner, executive vice president, is chief investment officer; H. Louis French, vice president, is client contact.

Rittenhouse Financial Services Inc.

225 S. 18th St., Philadelphia, Pa.
19103; (215) 735-1225

Total assets managed	$525,000,000
Tax-exempt assets managed	
Total	$289,000,000
Separate accounts	$289,000,000
Minimum separate account	$500,000
Tax-exempt clients	63
Types of accounts managed	CEFJ
No. of portfolio managers	7

Rittenhouse Financial Services Inc. is an active equity, active fixed-income, balanced and short-term manager.

Its equity approach tries to locate value in the high-equity, large-cap segment. Value is defined as low p/e and above-average yield. Average portfolio beta must be below the market.

In its fixed-income approach, it staggers maturities to a maximum of 10 years, using only high-quality corporate and government issues, and moves along the yield curve to minimize risk and maximize income.

The asset mix Jan. 1 was 66% equity, 30% bonds and 4% cash.

Clients include The Huston Foundation, Graduate Hospital, Historical Society of Pennsylvania and Rosemont College.

James S. Morgan is chief investment officer; Bernard A. Francis is client contact.

RNC Capital Management

11601 Wilshire Blvd., Penthouse, Los
Angeles, Calif. 90025; (213)
477-6543

Total assets managed	$875,000,000
Tax-exempt assets managed	
Total	$612,000,000
Pooled accounts	$42,000,000
Separate accounts	$570,000,000
401(k)/457 assets managed	$6,000,000
No. of 401(k)/457 plans	10
Minimum separate account	$250,000
Tax-exempt clients	
Pooled	126
Separate	834
Types of accounts managed	CEFGJ
No. of portfolio managers	11
Size of research staff	7

RNC Capital Management Co. is an active equity, active fixed-income, balanced and tactical asset allocation manager.

Its equity approach uses low p/e stocks and rotates sectors throughout each economic cycle using only NYSE and AMEX securities. Its fixed-income approach uses sector analysis. Convertibles are stressed over short-term bonds.

The asset mix Jan. 1 was 65% stocks, 20% bonds and 15% cash.

The parent is Roley, Nichols Capital Group Inc.

Thomas L. Roley, chairman, is chief investment officer; Robert W. Nichols, president, is client contact.

Roanoke Asset Management

10 E. 53rd St., New York, N.Y. 10022;
(212) 759-9097

Total assets managed	$560,000,000
Tax-exempt assets managed	
Total	$490,000,000
Separate accounts	$490,000,000
Minimum separate account	$3,000,000
Tax-exempt clients	41
Types of accounts managed	CEFG
No. of portfolio managers	4

Roanoke Asset Management, an active equity and balanced manager, uses opportunistic growth and Graham & Dodd principles in its investment approach. The firm is a bottom-up stock selector focusing on companies and industries undergoing a positive fundamental change or improvement.

The asset mix Jan. 1 was 80% stocks, 10% bonds and 10% cash.

The firm generates 80% of its research internally.

Clients include Florida Power & Light, State of Connecticut, Blue Cross/Blue Shield and Clorox.

Edwin G. Vroom, principal/portfolio manager, is chief investment officer; Martin W. Lynn, principal/portfolio manager, is client contact.

Robshaw & Cheskin Associates Inc.

6245 Sheridan Drive, Suite 218,
Amherst, N.Y. 14221; (716)
633-6555

Total assets managed	$72,000,000
Tax-exempt assets managed	
Total	$40,000,000
Separate accounts	$40,000,000
Minimum separate account	$300,000
Tax-exempt clients	35
Types of accounts managed	CEFJ
No. of portfolio managers	2
Size of research staff	2

Robshaw & Cheskin Associates Inc. is an active equity, active fixed-income and balanced manager.

Its equity approach uses Graham & Dodd principles to screen growth and emerging stocks, making a fundamental search for superior long-term appreciation potential. Its fixed-income approach is based on analysis of sectors, ratings and maturities, using the yield curve and anticipating shifts in the curve.

The asset mix Jan. 1 was 55% stocks, 25% bonds and 20% cash.

Stephen R. Robshaw and Alan E. Cheskin are chief investment officers; Mr. Cheskin is client contact.

Rocky Mountain Investors

3200 Cherry Creek South Drive,
Denver, Colo. 80209; (303)
777-3200

Total assets managed	$140,000,000
Tax-exempt assets managed	
Total	$140,000,000
Separate accounts	$140,000,000
Equity real estate assets	$30,000,000
Mortgage assets	$85,000,000
Minimum separate account	$1,000,000
Tax-exempt clients	23
Types of accounts managed	JG
No. of portfolio managers	4
Size of research staff	2

Rocky Mountain Investors Inc., a real estate and short-term manager, provides short-term construction loans, participating mortgages and equity investments in union-built commercial and industrial real estate projects.

The asset mix Jan. 1 was 20% equity real estate, 60% mortgages and 20% cash.

The parent is RMI Holdings Inc.

Clients include Eighth District Electrical Workers, Colorado Carpenters, California Field Ironworkers and Arizona Pipe Trades.

J. Richard Allen is chief investment officer; Robert Lee and Jeff Crawford are client contacts.

Roll and Ross Asset Management Corp.

585 Skippack Pike, Suite 400, Blue
Bell, Pa. 19422; (215) 641-1448

Total assets managed	$563,000,000
Tax-exempt assets managed	
Total	$563,000,000
Separate accounts	$563,000,000
International equity assets	$25,000,000
Minimum separate account	$15,000,000
Tax-exempt clients	9
Types of accounts managed	CFG
No. of portfolio managers	4
Size of research staff	5

Roll and Ross Asset Management Corp. is an active and passive domestic equity and active international equity manager.

Its equity approach uses quantitative core enhancement. Its policy is to remain fully invested, with portfolio turnover controlled to minimize transaction costs. The universe of securities used is based on client objectives.

The asset mix Jan. 1 was 99% stocks and 1% cash.

Portfolio insurance is provided to seven clients covering $363 million in discretionary tax-exempt assets.

Clients include California Public Employees, Adolf Coors Foundation, International Paper and Agway.

Alan Yuhas, president, is chief investment officer and client contact.

Edward C. Rorer & Co. Inc.

1800 Two Mellon Bank Center,
Philadelphia, Pa. 19102; (215)
568-2126

Total assets managed	$50,000,000
Tax-exempt assets managed	
Total	$20,000,000
Separate accounts	$20,000,000
Minimum separate account	$1,000,000
Tax-exempt clients	11
Types of accounts managed	CEF
No. of portfolio managers	2
Size of research staff	1

Edward C. Rorer & Co. Inc. is an active equity and balanced manager.

Its equity approach employs a proprietary computer model to evaluate investments prospects on a relative valuation basis. Relative p/e, relative price/book and relative yield are emphasized. Its fixed-income approach uses interest rate anticipation. Options are used.

The asset mix Jan. 1 was 65% stocks, 30% bonds and 5% cash.

Edward C. Rorer, chairman, is chief investment officer; Stephen Pearson Jr., vice president, is client contact.

Rosenberg Institutional Equity Management

4 Orinda Way, Suite 300E, Orinda,
Calif. 94563; (415) 254-6464

Total assets managed	$4,222,000,000
Tax-exempt assets managed	
Total	$3,080,000,000
Separate accounts	$3,080,000,000
Minimum separate account	$50,000,000
Tax-exempt clients	29
Types of accounts managed	CEFG
No. of portfolio managers	1
Size of research staff	4

Rosenberg Institutional Equity Management, an active quantitative equity manager, uses proprietary in-house valuation models to analyze fundamental data on 3,500 stocks. It identifies moderately undervalued companies in every sector and constructs efficient portfolios of such stocks.

As of Jan. 1, all assets were invested in stocks.

The firm follows 500 stocks closely and 3,500, generally; 95% of research is generated internally.

Clients include Bell Atlantic, Eastman Kodak, Alcoa and GTE.

Barr Rosenberg is chief investment officer; Marlis S. Fritz is client contact.

The Rothschild Co.

32 South St., Baltimore, Md. 21202;
(301) 539-4660

Total assets managed	$900,000,000
Tax-exempt assets managed	
Total	$420,000,000
Separate accounts	$420,000,000
Minimum separate account	$5,000,000
Tax-exempt clients	65
Types of accounts managed	CEF
No. of portfolio managers	2
Size of research staff	1

The Rothschild Co. is an active equity and balanced manager.

It equity approach is value-oriented with a bias toward growth, using Graham & Dodd principles. Its fixed-income approach is based on interest rate anticipation. Stock index futures are used.

The asset mix Jan. 1 was 40% stocks, 30% bonds and 30% cash.

The firm follows 200 stocks closely and 300, generally; 50% of research is generated internally.

Clients include NADA, Alton Jones Foundation and Associated Jewish Charities of Baltimore.

Stanford Z. Rothschild Jr., president, is chief investment officer and client contact.

Rothschild Asset Management Inc.

1 Rockefeller Plaza, New York, N.Y.
10020; (212) 757-6000

Total assets managed	$0
Minimum separate account	$1,000,000
No. of portfolio managers	5

Rothschild Asset Management Inc. is an active equity, active fixed-income, balanced and real estate manager.

Its primary equity approach is quantitative and focuses on growth stocks. Its primary fixed-income approach uses interest rate anticipation. The firm uses options and financial futures.

The firm follows 1,000 stocks.

The parent is Rothschild North America.

Mark K. Tavel, president, is chief investment officer and client contact.

N.M. Rothschild International Asset Management Ltd.

Five Arrows House, St. Swithin's Lane,
London EC4N 8NR, U.K.;
01-280-5000

Total assets managed	$2,110,000,000
Tax-exempt assets managed	
Total	$997,000,000
Separate accounts	$997,000,000
International equity assets	$140,000,000
International fixed-income assets	$552,000,000
International cash assets	$305,000,000
Minimum separate account	$10,000,000
Tax-exempt clients	11
Types of accounts managed	CG
No. of portfolio managers	10

N.M. Rothschild International Asset Management Ltd. is an active international manager.

Its equity approach seeks to add value in market, stock and currency selection. Concentrated and active asset allocation and market selection are stressed through fundamental economic analysis.

Its fixed-income approach is market rotation, using interest rate anticipation and currency and instrument management. Value is added through maturity, yield curve and market switches.

The asset mix Jan. 1 was 14% stocks, 55% bonds and 31% currency overlay.

U.S. tax-exempt clients include GM, Massachusetts PRIM, GE and Contel.

Kenneth West is chief investment officer; Peter Flynn is client contact in New York at (212) 757-6000.

Retiree health care benefits funding will be highlighted in the May 29 issue.

Roulston & Co. Inc.

4000 Chester Ave., Cleveland, Ohio
44103; (216) 431-3000

Total assets managed	$500,000,000
Tax-exempt assets managed	
Total	$200,000,000
Separate accounts	$200,000,000
Minimum separate account	$100,000
Tax-exempt clients	200
Types of accounts managed	CEFJ
No. of portfolio managers	7
Size of research staff	30

Roulston & Co. Inc. is an active and passive equity, active and passive fixed-income, passive international fixed-income and balanced manager.

Its equity approach uses fundamental research to purchase growth, emerging growth and low p/e stocks. Its fixed-income approach searches for market inefficiencies, never sacrificing quality or liquidity.

The firm follows 250 stocks closely and 250, generally.

U.S. tax-exempt clients include Sunar Hauserman and Ohio Edison.

Jerry Dombcik is chief investment officer; Thomas H. Roulston is client contact.

Roxbury Capital Management

1800 Avenue of the Stars, Suite 1100,
Los Angeles, Calif. 90067; (213)
282-0820

Total assets managed	$152,000,000
Tax-exempt assets managed	
Total	$65,000,000
Separate accounts	$65,000,000
401(k)/457 assets managed	$1,000,000
No. of 401(k)/457 plans	1
Minimum separate account	$5,000,000
Tax-exempt clients	30
Types of accounts managed	CEFG
No. of portfolio managers	3

Roxbury Capital Management, an active equity manager, focuses on companies with a strong business franchise, shareholder-oriented management and non-cyclical growth prospects. Purchases usually display low p/es, high ROE and strong cash flow, and sell below private market or intrinsic value.

The asset mix Jan. 1 was 32% stocks, 50% bonds and 18% cash.

Anthony Browne is chief investment officer. New business contacts are through Fairfield Capital Associates, (203) 254-1215.

The RREEF Funds

650 California St., Suite 1800, San
Francisco, Calif. 94108; (415)
781-3300

Total assets managed	$3,665,000,000
Tax-exempt assets managed	
Total	$3,665,000,000
Pooled accounts	$3,020,000,000
Separate accounts	$645,000,000
Equity real estate assets	$3,665,000,000
Minimum separate account	$100,000,000
Tax-exempt clients	
Pooled	87
Separate	2
Types of accounts managed	CEFGJ
No. of portfolio managers	4
Size of research staff	6

The RREEF Funds, a real estate manager, invests in equity real estate to provide its clients with portfolio diversification. The firm invests in high-quality properties and takes full advantage of opportunities to increase property value through active and responsive management.

All assets were in equity real estate Jan. 1.

Clients include AT&T, Illinois State Universities, New York State & Local and Xerox.

Donald A. King Jr., managing partner, is chief investment officer; Stanislaw Maliszewski, partner, is client contact at (312) 266-9300.

Ruane, Cunniff & Co. Inc.

1370 Avenue of the Americas, New
York, N.Y. 10019; (212) 245-4500

Total assets managed	$1,517,000,000
Tax-exempt assets managed	
Total	$880,000,000
Pooled accounts	$357,000,000
Separate accounts	$523,000,000
Tax-exempt clients	
Pooled	50
Separate	43
Types of accounts managed	CEF
No. of portfolio managers	3
Size of research staff	3

Ruane, Cunniff & Co. Inc., an active equity manager, emphasizes Graham & Dodd analysis.

The firm is not now accepting new accounts.

The asset mix Jan. 1 was 61% stocks and 39% cash.

The firm follows 100 stocks closely and 300, generally; all research is generated internally.

William J. Ruane is chief investment officer.

Frank Russell Trust Co.

909 'A' St., Tacoma, Wash. 98402;
(206) 572-2282

Tax-exempt assets managed:	
Total	$6,400,000,000
Assigned to other firms	$6,400,000,000

Frank Russell Trust Co. is a manager of managers, offering several pooled funds. Of the assets managed on its behalf by 45 external managers, $3.3 billion is in commingled accounts for 173 clients and $3.1 billion is in separate accounts for five clients.

The core equity fund employs earnings-growth, market-oriented and price-driven styles. Two other equity funds concentrate on market timing small-cap issues.

The firm has three international funds: a broadly diversified non-U.S. fund; a Pacific Basin fund; and an emerging markets fund.

It has three pooled fixed-income funds covering long-, intermediate- and short-term strategies. The company also offers a GIC pooled fund, an open-end fund that guarantees principal and is market responsive.

A Private Partnerships Fund invests with a number of different partnerships that use unique investment processes, such as hedging, short-selling and risk arbitrage.

Investments through the company's open-end real estate fund are made in seven pooled real estate funds. The fund is diversified by property type, size, geography, investment structuring, lease maturities and manager style.

The parent is Frank Russell Co.

Clients include United Airlines Pilots, Hoechst Celanese, The New York Times and the Town of Greenwich, Conn.

The client contact is Virginia Sirusas, senior vice president, in New York at (212) 486-7744.

RXR Capital Management

30 Buxton Farm Road, Stamford,
Conn. 06905; (203) 323-5015

Total assets managed	$127,000,000
Tax-exempt assets managed:	
Total	$15,000,000
Pooled accounts	$15,000,000
401(k)/457 assets managed	$1,000,000
No. of 401(k)/457 plans	1
Equity indexed assets	$6,000,000
Fixed-income indexed assets	$4,000,000
Minimum separate account	$10,000,000
Tax-exempt clients	10
Types of accounts managed	CEFG
No. of portfolio managers	4
Size of research staff	3

RXR Capital Management is an active equity, active fixed-income, balanced, tactical asset allocation, short-term and managed futures manager.

Its equity approach uses options and futures to enhance yield and reduce volatility on indexed portfolios.

Its fixed-income approach uses portfolios of long government bonds hedged with options and futures to enhance yield, reduce volatility and protect principal.

Its balanced approach incorporates the use of negatively correlated managed futures into the equity and fixed-income strategies.

The asset mix Jan. 1 was 10% equity, 75% bonds and 15% managed futures.

Portfolio insurance is provided to 10 tax-exempt clients and covers $6 million in assets.

The parent is The RXR Group.

James McConnon, executive vice president, is chief investment officer; Kenneth E. Stocker, executive vice president, is client contact.

The best corporate treasury departments will appear June 12.

S

Sabl Weil Investment Counsel

2444 Wilshire Blvd., Suite 500, Santa
Monica, Calif. 90403; (213)
828-4240

Total assets managed	$49,000,000
Tax-exempt assets managed:	
Total	$16,000,000
Separate accounts	$16,000,000
Minimum separate account	$100,000
Tax-exempt clients	12
Types of accounts managed	CEF
No. of portfolio managers	2

Sabl Weil Investment Counsel, formerly Sabl Associates, is an active equity ano balanced manager.

Its primary equity approach uses Graham & Dodd analysis with a growth stock approach to balance for long-term performance.

Its primary fixed-income approach is based on interest rate anticipation.

The asset mix Jan. 1 was 74.5% equities, 16.2% bonds and 9.3% cash.

Frederick M. Sabl is chief investment officer; Ralph E. Weil is client contact.

Ronald Sadoff's Major Trends

250 W. Coventry Court, Milwaukee,
Wis. 53217; (414) 352-8460

Total assets managed	$65,000,000
Tax-exempt assets managed:	
Total	$45,000,000
Separate accounts	$45,000,000
Minimum separate account	$100,000
Tax-exempt clients	55
Types of accounts managed	CF
No. of portfolio managers	1

Ronald Sadoff's Major Trends is an active equity, passive fixed-income, balanced and short-term cash manager.

Its equity approach combines Graham & Dodd analysis with growth, emerging growth and low p/e stocks. Its low-risk/high-potential, top-down approach focuses on leading industries and companies emerging from long-term downtrends that possess value and growth potential.

Its top-down fixed-income approach uses interest rate anticipation and credit analysis.

Ronald Sadoff is chief investment officer and client contact.

SAFECO Asset Management

SAFECO Plaza, T-14, Seattle, Wash.
98185; (206) 545-5727

Total assets managed	$537,000,000
Tax-exempt assets managed:	
Total	$537,000,000
Separate accounts	$537,000,000
Minimum separate account	$5,000,000
Tax-exempt clients	11
Types of accounts managed	CEJ
No. of portfolio managers	4
Size of research staff	8

SAFECO Asset Management is an active equity, active fixed-income and balanced manager.

Its primary equity approach employs low p/e stocks, sector rotation and Graham & Dodd analysis. Its primary fixed-income approach is based on interest rate anticipation.

The asset mix Jan. 1 was 47% equities, 35% bonds and 18% cash.

The parent is SAFECO Corp.

Richard W. Hubbard and Eugene D. Holen are chief investment officers; Mr. Holen, vice president, is client contact.

St. Johns Investment Management Co.

Suite 2130, Gulf Life Tower,
Jacksonville, Fla. 32207; (904)
399-0662

Total assets managed	$80,000,000
Tax-exempt assets managed:	
Total	$30,000,000
Separate accounts	$30,000,000
Minimum separate account	$300,000
Tax-exempt clients	35
Types of accounts managed	CEF
No. of portfolio managers	4
Size of research staff	1

St. Johns Investment Management Co. is an active equity, active fixed-income and balanced manager.

Its primary equity approach is value oriented using low p/e and Graham & Dodd analysis. Its primary fixed-income approach is to ladder maturities.

The asset mix Jan. 1 was 60% equity, 30% bonds and 10% cash.

Melvin V. Ridgway is chief investment officer; Albert J. Toole III is client contact.

Sanwa Bank California

612 S. Flower St., Los Angeles, Calif.
90017; (213) 613-2197

Total assets managed	$951,000,000
Tax-exempt assets managed:	
Total	$258,000,000
Commingled accounts	$78,000,000
Separate accounts	$180,000,000
Mortgage assets	$1,000,000
International equity assets	$1,000,000
Minimum separate account	$500,000
Tax-exempt clients	
Separate	95
Types of accounts managed	CEF
No. of portfolio managers	5

Sanwa Bank California is an active equity, active fixed-income, balanced and cash manager.

Its equity approach emphasizes companies with the most rapid and consistent earnings and dividend growth. Its fixed-income approach incorporates change in weighted average maturity, interest rate anticipation and sector shift.

The asset mix Jan. 1 was 34% stocks, 25% bonds, 40% cash and 1% mortgages.

The bank follows 100 stocks closely and 200, generally.

Clients include Southern California Floor Covering, Sanwa Bank, Shriners Hospitals and Carpenters Administrative.

The parent is Sanwa Bank Ltd.

John Thompson is chief investment officer; Kelsey Moline is client contact.

Fayez Sarofim & Co.

2 Houston Center, Suite 2907,
Houston, Texas 77010; (713)
654-4484

Total assets managed	$11,089,000,000
Tax-exempt assets managed:	
Total	$9,772,000,000
Separate accounts	$9,772,000,000
Equity real estate assets	$156,000,000
Mortgage assets	$57,000,000
Tax-exempt clients	266
Types of accounts managed	CEFJG
No. of portfolio managers	15
Size of research staff	9

Fayez Sarofim & Co. is an active equity, active fixed-income, balanced, real estate and short-term manager.

Its equity approach focuses on value and growth. Fundamental economic and company analysis are the foundation of a top-down, flexible process. Current emphasis is on larger-cap companies with highly predictable earnings growth and market multiple.

Its fixed-income approach is keyed to timely shifts in maturity as dictated by interest rate outlook and subject to specified minimum return objectives.

Its real estate approach focuses on quality real estate using a participating mortgage structure.

The asset mix Jan. 1 was 76% stocks, 19% bonds, 2% cash, 2% equity real estate and 1% mortgages.

The firm follows 75 stocks closely and 400, generally; 80% of research is generated internally.

Fayez Sarofim, president and chief executive officer, is chief investment officer; William K. McGee Jr. is client contact.

Sasco Capital Inc.

10 Sasco Hill Road, Fairfield, Conn.
06430; (203) 254-6800

Total assets managed	$800,000,000
Tax-exempt assets managed:	
Total	$800,000,000
Separate accounts	$800,000,000
Minimum separate account	$10,000,000
Tax-exempt clients	8
Types of accounts managed	C
No. of portfolio managers	4
Size of research staff	1

Sasco Capital Inc., an active equity manager, follows a contrarian value discipline. It invests in financial underperformers with attractive business segments selling at a discount to asset value and future earning power.

All tax-exempt assets were in equity Jan. 1.

The firm follows 40 stocks closely and 150, generally; all research is generated internally.

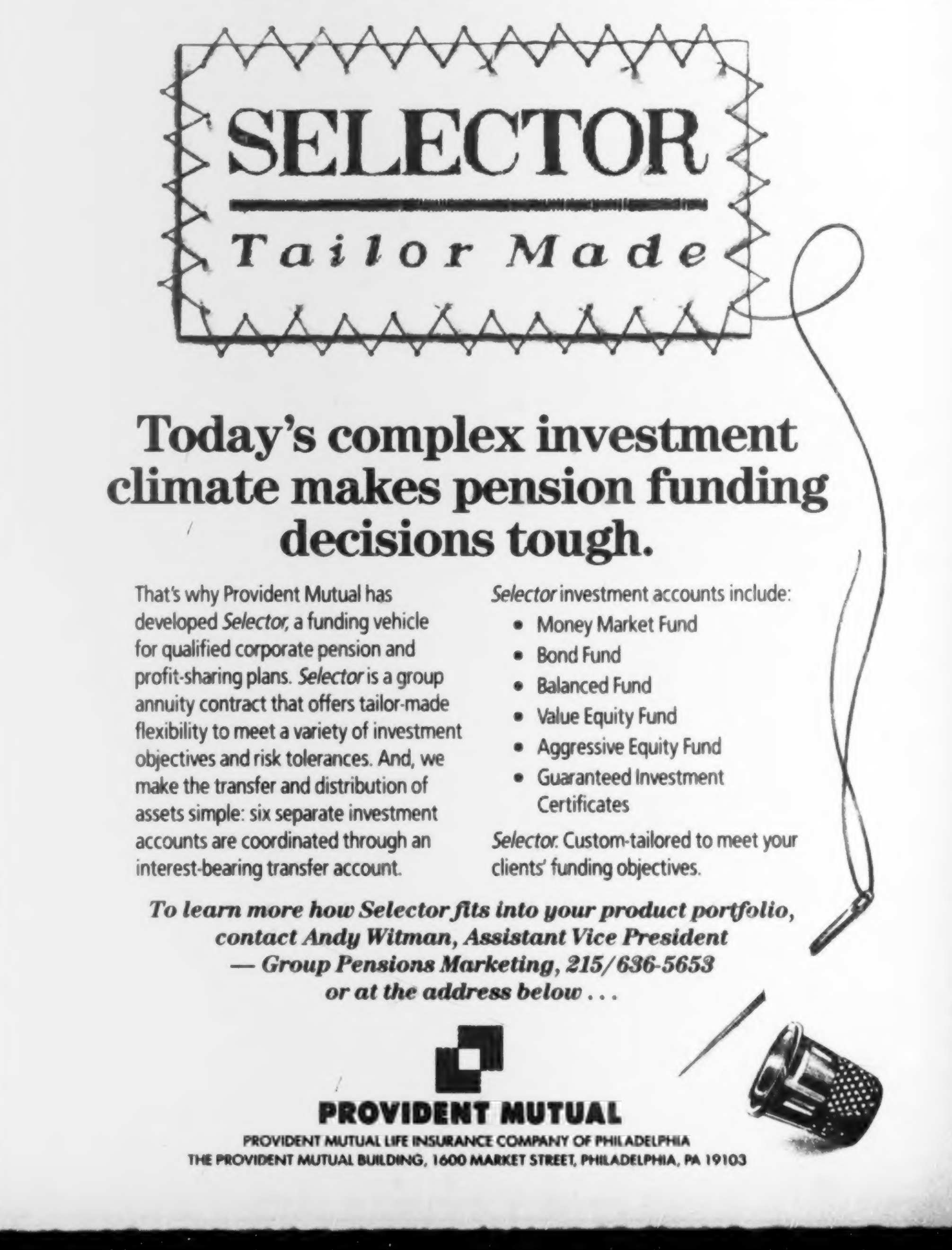
Clients include IBM, General Dynamics, Phelps Dodge and AMP.

Lee C. Garcia, managing director, is client contact.

M.D. Sass Investor Services

1133 Avenue of the Americas, New
York, N.Y. 10036; (212) 730-2000

Total assets managed	$3,186,000,000



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PROVIDENT MUTUAL
PROVIDENT MUTUAL LIFE INSURANCE COMPANY OF PHILADELPHIA
THE PROVIDENT MUTUAL BUILDING, 1600 MARKET STREET, PHILADELPHIA, PA 19103

Tax-exempt assets managed	
Total	$2,237,000,000
Separate accounts	$2,237,000,000
Mortgage-backed assets	$475,000,000
Minimum separate account	$10,000,000
Tax-exempt clients	101
Types of accounts managed	CEFGJ
No. of portfolio managers	14
Size of research staff	:4

M.D. Sass Investor Services Inc. is an active equity, active fixed-income, balanced and tactical asset allocation manager.

Its equity approach combines tactical asset allocation with sector rotation, quantitative methods and a value orientation. Value is added by emphasizing secular trends and stocks selling below private business value, possessing an unrecognized attractive business undergoing fundamental business change and about to experience unexpected earnings growth. Options and futures are used actively to reduce risk; specialized risk arbitrage strategies are provided.

Its primary fixed-income approach uses sector analysis and features active use of options and futures to reduce risk. Five distinct portfolios of duration are available, with each one adding value through quality sector and specific maturity selection.

The asset mix Jan. 1 was 37.2% stocks, 55.7% bonds and 7.1% cash.

Portfolio insurance is available.

Martin D. Sass, president, is chief investment officer; Thomas J. Mackell Jr., senior vice president, is client contact.

La Sauvegarde compagnie d'assurance sur la vie

1 Complexe Desjardins, Montreal,
Quebec H5B 1E2; (514) 285-7700

Total assets managed	$625,000,000
Tax-exempt assets managed	
Total	$204,000,000
Pooled accounts	$6,000,000
Separate accounts	$198,000,000
For subsidiaries of U.S. firms	$4,000,000
Mortgage assets	$8,000,000
Minimum separate account	$4,200,000
Tax-exempt clients	
Separate	4
Types of accounts managed	C
No. of portfolio managers	5

La Sauvergarde compagnie d'assurance sur la vie, a Canadian firm, is an active equity, active fixed-income and balanced manager.

Its equity approach emphasizes sector rotation and low p/e stocks. Its fixed-income approach combines interest rate anticipation with sector analysis.

The asset mix Jan. 1 was 35% Canadian stocks, 5% U.S. stocks, 42% bonds, 15% cash and 3% mortgages.

It follows 30 stocks closely and 200, generally; 30% of research is generated internally.

The parent is Desjardins Group.

Diane Fleurent is chief investment officer and client contact.

SBC Portfolio Management International Inc.

1 World Trade Center, Suite 8935,
New York, N.Y. 10048; (212)
432-8900

Total assets managed	$435,000,000
Tax-exempt assets managed	
Total	$324,000,000
Separate accounts	$324,000,000
International equity assets	$278,000,000
International fixed-income assets	$31,000,000
Minimum separate account	$5,000,000
Tax-exempt clients	18
Types of accounts managed	CG
No. of portfolio managers	4
Size of research staff	2

SBC Portfolio Management International Inc. is a balanced and active international equity and fixed-income manager.

Its global, top-down equity approach emphasizes aggressive country allocations. It uses daily currency risk management and favors low p/e and value when market liquidity permits. Its fixed-income approach uses interest rate anticipation. Options and stock index futures are used.

The asset mix Jan. 1 was 90% equities and 10% bonds.

The parent is Swiss Bank Corp.

Peter J. Morant, managing director, is chief investment officer; John W. Conlin, marketing director, is client contact.

Sceptre Investment Counsel

26 Wellington St. E., Suite 1200,
Toronto, Ontario M5E 1W4; (416)
367-9898

Total assets managed	$4,113,000,000
Tax-exempt assets managed	
Total	$4,056,000,000
Pooled accounts	$566,000,000
Separate accounts	$3,490,000,000
For subsidiaries of U.S. firms	$823,000,000
Mortgage assets	$72,000,000
Non-North American equities	$126,000,000
Minimum separate account	$34,000,000
Tax-exempt clients	
Pooled	4
Separate	77
U.S. subsidiaries	18
Types of accounts managed	CEFGU
No. of portfolio managers	10
Size of research staff	7

Sceptre Investment Counsel Ltd., a Canadian firm, is a balanced manager.

Its primary equity approach is value-oriented. Graham & Dodd analysis is used with quantitative techniques and low p/e stocks. Its fixed-income approach is based on sector analysis.

The asset mix Jan. 1 was 28% Canadian stocks, 13% U.S. stocks, 41% bonds, 17% cash and 1% mortgages.

Its clients include York University, Crown Forest, Lakehead University and Norcen Energy.

J. Douglas Grant, chairman and chief executive officer, is chief investment officer; William J. Saunderson, vice president & secretary treasurer, is client contact.

Schaenen Wood & Associates Inc.

654 Madison Avenue, New York, N.Y.
10021; (212) 319-3666

Total assets managed	$400,000,000
Tax-exempt assets managed	
Total	$295,000,000
Pooled accounts	$130,000,000
Separate accounts	$165,000,000
401(k)/457 assets managed	$25,000,000
No. of 401(k)/457 plans	4
Minimum separate account	$1,000,000
Tax-exempt clients	
Pooled	2
Separate	60
Types of accounts managed	CEFJ
No. of portfolio managers	5
Size of research staff	1

Schaenen Wood & Associates Inc. is an active equity, active fixed-income, tactical asset allocation, balanced, short-term and convertible security manager.

Its equity approach is capital preservation, stressing value and sell disciplines. Selection is through proprietary computer screening techniques. Convertible bonds are used extensively. Its primary fixed-income approach uses interest rate anticipation and sector analysis. Where appropriate, some convertible securities are used. Options are used.

The asset mix Jan. 1 was 70% equity, 20% bonds and 10% cash.

Gary W. Wood, president, is chief investment officer and client contact.

Schield Management Co.

390 Union Blvd., Suite 410, Denver,
Colo. 80228; (303) 985-9999 of
(800) 826-8154

Total assets managed	$8,000,000
Tax-exempt assets managed	
Total	$3,000,000
Separate accounts	$3,000,000
Minimum separate account	$10,000
Types of accounts managed	CE
No. of portfolio managers	2
Size of research staff	2

Schield Management Co., a market risk manager, uses active equity, active fixed-income and tactical asset allocation management.

Its primary equity approach emphasizes capital appreciation through capital preservation. A combination of quantitative analysis of monetary trends, price indicators and momentum indicators determines its market timing and asset allocation decisions.

Investment-risk management is provided through its internal timing/asset allocation service for shareholders of the Schield Portfolios Series. The series' funds include the Schield Aggressive Growth, Value and High Yield Bond Portfolios and the Schield Timed Asset Allocation Fund.

The firm also provides externally managed equity and bond fund timing services through approximately 65 unrelated mutual funds. The firm is responsible for an additional $119 million managed on its behalf by external managers, of which $33 million is tax-exempt.

The asset mix Jan. 1 was 100% equities.

Clients include Anderson University and Midwest City Hospital.

Marshall L. Schield is chief investment officer and client contact.

Schroder Capital Management International

787 Seventh Ave., New York, N.Y.
10019; (212) 841-3830

Total assets managed	$2,300,000,000
Tax-exempt assets managed	
Total	$1,800,000,000
Pooled accounts	$120,000,000
Separate accounts	$1,680,000,000
International equity assets	$1,700,000,000
International fixed-income assets	$10,000,000
International cash assets	$90,000,000
Minimum separate account	$15,000,000
Tax-exempt clients	
Separate	32
Types of accounts managed	CEFG
No. of portfolio managers	8
Size of research staff	63

Schroder Capital Management International is a balanced and active international manager.

Its equity approach begins with country allocation based on two-year economic projections. Within each country, the focus is on growth stocks. Fixed-income is used as a limited tactical alternative.

The asset mix Jan. 1 was 95% equities and 5% cash.

The firm follows 350 stocks closely and 1,000, generally; 80% of research is generated internally.

The parent is Schroders PLC.

Clients include GM, PPG, United Technologies and 3M.

Richard R. Foulkes, executive vice president, is chief investment officer; Sharon L. Haugh, senior vice president, is client contact.

Schroder Real Estate Associates

437 Madison Ave., New York, N.Y.
10022; (212) 486-9800

Total assets managed	$1,038,000,000
Tax-exempt assets managed	
Total	$300,000,000
Pooled accounts	$200,000,000
Separate accounts	$100,000,000
Equity real estate assets	$240,000,000
Convertible mortgage assets	$60,000,000
Minimum separate account	$50,000,000
Tax-exempt clients	
Pooled	10
Separate	1
Types of accounts managed	CG
No. of portfolio managers	3

Schroder Real Estate Associates, a real estate manager, acquires underperforming or underused properties that will respond to its direct, intense property and construction management. Properties are sold upon creation of their optimum incremental value.

The asset mix Jan. 1 was 70% equity real estate and 30% convertible mortgages.

U.S. tax-exempt clients include Eastman Kodak, General Foods, 3M and New York State & Local Retirement.

Norman L. Peck, is chief investment officer; John Emmanuel, senior vice president, is client contact.

Walter Scott International

626 Wilshire Blvd., Suite 410, Los
Angeles, Calif. 90004; (213)
623-2800

Total assets managed	$600,000,000
Tax-exempt assets managed:	
Total	$200,000,000
Pooled accounts	$50,000,000
Separate accounts	$150,000,000
Minimum separate account	$10,000,000
Tax-exempt clients:	
Pooled	2
Separate	2
Types of accounts managed	C
No. of portfolio managers	5
Size of research staff	3

Walter Scott International, an active equity and active international equity manager, seeks out the best growth companies in the world with the geographical allocation a result of its investment process. Currency options are used.

All tax-exempt assets Jan. 1 were in equities.

The parent is Walter Scott & Partners.

Walter G. Scott is chief investment officer; Richard A. Miller, U.S. director, is client contact.

Scudder, Stevens & Clark

345 Park Ave., New York, N.Y. 10154;
(212) 326-6200

Total assets managed	$39,472,000,000
Tax-exempt assets managed	
Total	$10,863,000,000
Separate accounts	$10,863,000,000
401(k)/457 assets managed	$183,000,000
No. of 401(k)/457 plans	150
Mortgage-backed assets	$1,141,000,000
International equity assets	$757,000,000
International fixed-income assets	$252,000,000
International cash assets	$8,000,000
Dedicated/immunized assets	$263,000,000
Minimum separate account	$5,000,000
Tax-exempt clients	593
Types of accounts managed	CEFJG
No. of portfolio managers	133
Size of research staff	56

Scudder, Stevens & Clark is an active equity, active fixed-income, balanced, active international equity and fixed-income, and short-term manager.

Its primary equity approach emphasizes buying companies that have demonstrated the ability to consistently earn above-average rates of return on invested capital when they are reasonably valued, and selling them when they become richly priced.

Its fixed-income approach emphasizes value both in terms of maturity and security selection.

Options and fixed-income futures are used.

The asset mix Jan. 1 was 23% equity, 47% bonds, 20% cash and 10% mortgage-backed securities.

The firm follows 500 stocks closely and 1,000 generally; 95% of the research is generated internally.

Douglas M. Loudon (equities) and Lynn S. Birdsong (fixed-income) are chief investment officers; Victoria J. Herget, principal, is client contact.

Seaboard Investment Advisers

800 Town Point Center, 150 Boush
St., Norfolk, Va. 23510; (804)
640-7300

Total assets managed	$126,000,000
Tax-exempt assets managed:	
Total	$88,000,000
Separate accounts	$88,000,000
401(k)/457 assets managed	$12,000,000
No. of 401(k)/457 plans	12
Mortgage-backed assets	$18,000,000
International fixed-income assets	$15,000,000
Minimum separate account	$1,000,000
Tax-exempt clients	63
Types of accounts managed	CEFG
No. of portfolio managers	3
Size of research staff	3

Seaboard Investment Advisers is an active equity, active fixed-income, balanced, tactical asset allocation, active international equity and fixed-income, and short-term manager.

Its equity approach uses macroeconomic trend analysis to determine asset allocation and, combined with cyclical analysis, identify appropriate sector exposures. Its fixed-income approach stresses absolute, positive return that is enhanced through sector exposure, yield curve analysis and duration management. Options are used.

The asset mix Jan. 1 was 30% stocks, 60% bonds and 10% cash.

Eugene W. Hansen is chief investment officer; Stewart M. Powers Jr. is client contact.

SeaGate Capital Management

245 Summit St., Suite 1000, Toledo,
Ohio 43603; (419) 259-8169

Total assets managed	$188,000,000
Tax-exempt assets managed:	
Total	$130,000,000
Separate accounts	$130,000,000
Minimum separate account	$1,000,000
Tax-exempt clients	23
Types of accounts managed	CEFJ

SeaGate Capital Management is an active equity, active fixed-income and balanced manager.

It follows a disciplined approach to equities based on the characteristics of growth, profitability, earnings momentum and relative value. Its primary fixed-income approach emphasizes intermediate-term maturities and high current income.

The asset mix Jan. 1 was 57% equity, 21% bonds and 22% cash.

Clients include The Anderson's, SSOE, Toledo Hospital and Trustcorp.

Jeffrey A. Slade, president, is chief investment officer and client contact.

Sears Investment Management Co.

55 W. Monroe St., 32nd Floor,
Chicago, Ill. 60603; (312) 875-0450

Total assets managed	$5,166,000,000
Tax-exempt assets managed	
Total	$5,166,000,000
Separate accounts	$5,166,000,000
401(k)/457 assets managed	$1,242,000,000
No. of 401(k)/457 plans	1
Equity real estate assets	$86,000,000
International equity assets	$255,000,000
Equity indexed assets	$1,361,000,000
Tax-exempt clients	2
Types of accounts managed	C

Sears Investment Management Co. is an active and passive equity, active fixed-income, balanced, real estate, active and passive international equity, short-term and venture capital manager.

Its equity approach focuses on emerging growth and growth stocks using quantitative techniques. Its fixed-income approach uses interest rate anticipation. Options and stock index futures are used.

The asset mix Jan. 1 was 41.1% equities, 32% bonds, 18.6% cash, 1.7% equity real estate and 6.6% venture capital/international.

The firm follows 500 stocks closely; 75% of research is generated internally.

The parent is Sears, Roebuck and Co.

David V. Dootson is chief investment officer.

Seattle Capital Management

P.O. Box 3586 (CSC-8), Seattle,
Wash. 98124; (206) 358-3264

Total assets managed	$901,000,000
Tax-exempt assets managed:	
Total	$582,000,000
Pooled accounts	$244,000,000
Separate accounts	$338,000,000
401(k)/457 assets managed	$39,000,000
No. of 401(k)/457 plans	1
Mortgage-backed assets	$91,000,000
Minimum separate account	$10,000,000
Tax-exempt clients:	
Pooled	1
Separate	7
Types of accounts managed	CEF
No. of portfolio managers	3

Seattle Capital Management Co., an active fixed-income and short-term manager, builds a core portfolio of high-yielding, high-quality securities around which sectors and duration targets are selected using a valuation orientation.

The asset mix Jan. 1 was 42% bonds, 9% cash, 20% mortgage-backed securities and 29% asset-backed securities.

The parent is Seattle-First National Bank.

Clients include Boeing, University of Washington, Westinghouse/Hanford and Northwest Sheetmetal Workers.

Ken Schultz, president, is chief investment officer; Elizabeth Romney, sales manager, is client contact.

Seattle-First National Bank

P.O. Box 3586, Seattle, Wash. 98124;
(206) 358-3297

Total assets managed	$3,233,000,000
Tax-exempt assets managed:	
Total	$749,000,000
Commingled accounts	$270,000,000
Separate accounts	$479,000,000
Real estate equity assets	$6,000,000
Mortgage assets	$2,000,000
Mortgage-backed assets	$75,000,000
Minimum separate account	$1,000,000
Tax-exempt clients:	
Commingled	330
Separate	20
Types of accounts managed	CE
No. of portfolio managers	6

Seattle-First National Bank is an active equity, active and passive fixed-income, balanced, real estate and short-term manager.

Its equity approach is value-oriented with sector bias. Its fixed-income approach uses sector analysis and interest rate anticipation.

Its real estate approach is to preserve capital, achieve long-term capital growth, maintain an inflation-adjusted income stream and earn high current income when compatible with objectives.

The asset mix Jan. 1 was 17% equities, 50% bonds, 22% cash, 1% equity real estate and 10% mortgage-backed securities.

The parent is BankAmerica.

John Privat, vice president and manager, is chief investment officer; Steven A. Horman, vice president-sales, is client contact.

Securities Counsel Inc.

303 N. Rose St., Suite 500,
Kalamazoo, Mich. 49007; (616)
385-0200

Total assets managed	$2,334,000,000
Tax-exempt assets managed	
Total	$1,195,000,000
Pooled accounts	$739,000,000
Separate accounts	$456,000,000
Mortgage-backed assets	$85,000,000
Dedicated/immunized assets	$25,000,000
Minimum separate account	$3,000,000
Tax-exempt clients	
Pooled	9
Separate	63
Types of accounts managed	CEFJG
No. of portfolio managers	8
Size of research staff	4

Securities Counsel Inc. is an active and passive equity, active and passive fixed-income, balanced and short-term manager.

Its primary equity approach concentrates on stocks at or below their economic sector multiple using earnings and price momentum models.

Using selected baseline indexes, the firm's fixed-income approach adds value through sector weightings and duration deviation from the baseline. The baseline selected depends on client parameters.

It uses financial futures.

The asset mix Jan. 1 was 35% stocks, 48% bonds, 9% cash and 8% mortgage-backed securities.

The parent is First of America Bank Corp.

Clients include Walgreen's, Highland Superstores, Michigan Legislative Retirement Fund and Upjohn.

Robert J. Murphy, vice president, is chief investment officer; Susan Carter Manning, vice president, is client contact.

Securities Counselors of Iowa Inc.

307 N. Michigan Ave., Sixth Floor,
Chicago, Ill. 60601; (312) 332-2135

Total assets managed	$554,000,000
Tax-exempt assets managed	
Total	$364,000,000
Separate accounts	$364,000,000
401(k)/457 assets managed	$16,000,000
No. of 401(k)/457 plans	12
Minimum separate account	$500,000
Tax-exempt clients	373
Types of accounts managed	CEF
No. of portfolio managers	4
Size of research staff	7

Security Counselors of Iowa Inc. is an active equity, active fixed-income, balanced and short-term manager.

Its equity approach combines growth and low p/e stocks, sector rotation and quantitative methods and emphasizes balance-sheet quality.

Its primary fixed-income approach is based on interest rate anticipation and stresses active management of the portfolios' primary characteristics: credit, quality, maturity distribution, coupon, sector allocation, issue selection and diversification.

The asset mix Jan. 1 was 76% equities, 20% bonds and 4% cash.

The parent is SCI Financial Group Inc.

James W. Paulsen, president and chief operating officer, is chief investment officer; Mary B. McManus, managing director, is client contact.

Security Capital Management Inc.

70 Seaview Ave., Stamford, Conn.
06902; (203) 964-9411

Total assets managed	$904,000,000
Tax-exempt assets managed	
Total	$904,000,000
Separate accounts	$904,000,000
International fixed-income assets	$25,000,000
Fixed-income indexed assets	$869,000,000
Dedicated/immunized assets	$10,000,000
Minimum separate account	$10,000,000
Tax-exempt clients	15
Types of accounts managed	CFGJ
No. of portfolio managers	4

Security Capital Management Inc. is a passive domestic and international fixed-income, short-term and futures/options manager.

Its fixed-income approach matches the duration of a client-designated benchmark and provides incremental return by exploiting the misvaluations in the fixed-income options and futures markets.

The asset mix Jan. 1 was 90% bonds and 10% cash.

Clients include GTE, Unisys, Rockefeller Foundation and Virginia Retirement System.

Jon B. Victor, president, and Robert C. Brewer are chief investment officers; Mr. Victor is client contact.

Security Investors Corp.

1000 Louisiana, Suite 2100, Houston,
Texas 77002; (713) 654-1102

Total assets managed	$19,000,000
Tax-exempt assets managed	
Total	$12,000,000
Separate accounts	$12,000,000
Minimum separate account	$1,000,000
Tax-exempt clients	8
Types of accounts managed	C
No. of portfolio managers	3

Security Investors Corp. is an active equity, active fixed-income, balanced and short-term manager.

Its value-oriented equity approach emphasizes non-consensus stocks, underowned by institutions. Detailed cash flow analysis is used to identify stocks with fast paybacks; stocks usually are experiencing high unit growth or significant structural change.

Its fixed-income approach uses yield curve analysis to determine the maturity mix and sector analysis to identify attractive yield spread differentials. Maturities are in the eight- to 12-year range; high-quality issues are used.

The asset mix Jan. 1 was 65% equity, 30% bonds and 5% cash.

James M. Parker, president, is chief investment officer; Catherine S. Woodruff, senior vice president, is client contact.

Security National Bank & Trust Co. of New Jersey

101 Eisenhower Parkway, Roseland,
N.J. 07068; (201) 228-9770

Total assets managed	$150,000,000
Tax-exempt assets managed	
Total	$133,000,000
Separate accounts	$133,000,000
Mortgage-backed assets	$2,000,000
International equity assets	$2,000,000
Minimum separate account	$200,000
Tax-exempt clients	22
Types of accounts managed	CF
No. of portfolio managers	2

Security National Bank & Trust Co. of New Jersey is an active equity, passive fixed-income and balanced manager.

Its primary equity approach is defensive, emphasizing high yield, low p/es and earnings growth components in line with client risk/return objectives. Fixed-income investments focus on high-quality (AA or better) issues with an average maturity of five years or less.

The asset mix Jan. 1 was 45% stocks, 40% bonds, 10% cash, 2% mortgage-backed securities and 3% GICs.

Lee T. Smith, executive vice president, is chief investment officer; Joseph J. Verbaro Jr., senior vice president, is client contact.

Security Pacific Bank Oregon

1001 S.W. Fifth Ave., P.O. Box 2808,
Portland, Ore. 97208; (503)
796-3603

Total assets managed	$136,000,000
Tax-exempt assets managed	
Total	$49,000,000
Commingled accounts	$11,000,000
Separate accounts	$38,000,000
401(k)/457 assets managed	$2,000,000
No. of 401(k)/457 plans	9
Real estate equity assets	$200,000
Minimum separate account	$500,000
Tax-exempt clients	
Commingled	46
Separate	12
Types of accounts managed	CF
No. of portfolio managers	3

Security Pacific Bank of Oregon, formerly Oregon Bank, is a value-oriented balanced manager.

Its equity approach stresses undervalued equities with low p/es. Its fixed-income approach emphasizes consistency of return and principal stability.

The asset mix Jan. 1 was 30% stocks, 56% bonds, 12% cash, 1% equity real estate and 1% GICs.

The parent is Security Pacific Corp.

Robert T. Platt III, senior vice president, is chief investment officer; Dennis Munsey, vice president, is client contact.

The consultants directory will be published Nov. 13.

Security Pacific Investment Managers Inc.

300 S. Grand Ave., Suite 2200, Los
Angeles, Calif. 90071; (213)
229-1300

Total assets managed	$2,578,000,000
Tax-exempt assets managed	
Total	$2,477,000,000
Separate accounts	$2,477,000,000
Mortgage assets	$25,000,000
Mortgage-backed assets	$182,000,000
Minimum separate account	$10,000,000
Tax-exempt clients	17
Types of accounts managed	CFG
No. of portfolio managers	9
Size of research staff	5

Security Pacific Investment Managers Inc. is an active equity, active fixed-income, balanced, real estate and short-term manager.

Its equity and fixed-income approaches maintain that underlying strengths and weaknesses of the economy drive the valuation and performance of the markets.

A top-down process defines its position in the economic cycle and helps it to capitalize on investment insights through sector rotation and security selection.

In real estate, it actively manages an open-end commingled fund using high-quality debt-related instruments.

The asset mix Jan. 1 was 48% equities, 31% bonds, 13% cash, 1% mortgages and 7% mortgage-backed securities.

The parent is Security Pacific Corp.

J. Michael Gaffney, chairman and chief executive officer, is chief investment officer-fixed income; Robert U. Sandroni, president, is chief investment officer-equities. Joseph Briggs, senior vice president and director of marketing and client services, is client contact.

The Alan G. Seidner Co.

P.O. Box 60510, Pasadena, Calif.
91116; (818) 795-2251

Total assets managed	$500,000,000
Tax-exempt assets managed	
Total	$234,000,000
Separate accounts	$234,000,000
401(k)/457 assets managed	$4,000,000
No. of 401(k)/457 plans	1
Mortgage-backed assets	$2,000,000
Minimum separate account	$3,000,000
Tax-exempt clients	16
Types of accounts managed	CF
No. of portfolio managers	3
Size of research staff	1

The Alan G. Seidner Co., an active fixed-income and short-term manager, seeks the best relative values based on yield spread and yield curve analysis.

The asset mix Jan. 1 was 40% bonds, 50% cash and 10% mortgage-backed securities.

Clients include Hemet Valley Hospital District, Medical College of Ohio, Presbyterian Intercommunity Hospital and Akron General Medical Center.

Alan G. Seidner is chief investment officer; Anne Hong, director of client development, is client contact.

J & W Seligman & Co. Inc.

1 Bankers Trust Plaza, New York, N.Y.
10006; (212) 488-0212

Total assets managed	$6,875,000,000
Tax-exempt assets managed	
Total	$1,685,000,000
Separate accounts	$1,685,000,000
401(k)/457 assets managed	$16,000,000
Minimum separate account	$5,000,000
Tax-exempt clients	106
Types of accounts managed	CEFJ
No. of portfolio managers	20
Size of research staff	10

J & W Seligman & Co. Inc. is an active equity, active fixed-income, high-yield bond and balanced manager.

Its primary equity approach is based on growth and emerging growth stocks.

Its primary fixed-income approach follows an intermediate benchmark strategy that is based on management of key financial trade-offs (among issues and sectors) within a disciplined risk management framework. Maturity structure within benchmark parameters is based on long-term secular trends and client objectives. An equity-oriented high-yield bond approach is offered. Fixed-income futures are used.

The asset mix Jan. 1 was 66% equity, 28% bonds and 6% cash.

The firm follows 150 stocks closely and 300, generally; 90% of research is generated internally.

Clients include New York City Police, New York City Fire, New York State & Local and Brunswick.

Ronald T. Schroeder, managing director, is chief investment officer; Michael J. Del Priore is client contact.

Sentinel Real Estate

1290 Avenue of the Americas, New
York, N.Y. 10104; (212) 408-2911

Total assets managed	$1,660,000,000
Tax-exempt assets managed	
Total	$1,385,000,000
Pooled accounts	$1,075,000,000
Separate accounts	$310,000,000
Equity real estate assets	$1,385,000,000
Minimum separate account	$100,000,000
Tax-exempt clients	
Pooled	138
Separate	2

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P.O. Box [illegible] Valley Forge, PA 1948[illegible]
[illegible]
Meridian Investment Company

Types of accounts managed	CJG
No. of portfolio managers	6

Sentinel Real Estate Corp., formerly Security Capital Real Estate, is a real estate manager.

It takes a countercyclical approach, purchasing existing, proven income-producing properties with average cash yields of 8%. Internal, intensive proprty management is performed; properties are sold in three to five years.

All tax-exempt assets Jan. 1 were in equity real estate.

Clients include State of Ohio, State of Alaska, Ford and Dow Corning.

John Streicker, president, is chief investment officer; Lewis W. Kresch, senior vice president, is client contact.

Shearson Asset Management

31 W. 52nd St., New York, N.Y.
10019; (212) 767-2325

Total assets managed	$4,259,000,000
Tax-exempt assets managed	
Total	$2,053,000,000
Separate accounts	$2,053,000,000
Minimum separate account	$400,000
Tax-exempt clients	190
Types of accounts managed	CEFGJ
No. of portfolio managers	19

Shearson Asset Management is an active equity, active fixed-income and balanced manager.

Its primary equity approach uses fundamental analysis to assess earnings momentum, unrecognized value and the quality of management. Stocks should benefit from competitive advantage and dominant industry and economic trends. It focuses on well-capitalized companies with good relative value and price.

Its fixed-income approach is to invest in high-quality securities in issues or sectors undervalued on a relative basis.

The asset mix Jan. 1 was 47% equities, 43% bonds and 10% cash.

The parent is Shearson Lehman Hutton, a unit of American Express.

Clients include New York State, National Elevator and Sundstrand.

Harry D. Cohen, president, is chief investment officer; Thomas Vandeventer, senior vice president, is client contact.

Shearson Equity Management

31 W. 52nd St., New York, N.Y.
10019; (212) 767-2551

Total assets managed	$795,000,000
Tax-exempt assets managed	
Total	$300,000,000
Separate accounts	$300,000,000
Minimum separate account	$50,000
Tax-exempt clients	3,000
Types of accounts managed	C
No. of portfolio managers	2
Size of research staff	3

Shearson Equity Management is an active equity and balanced manager.

Its primary equity approach is to invest in high-quality growth stocks. Its primary fixed-income approach for balanced accounts is passive.

The asset mix Jan. 1 was 87% equities, 10% bonds and 3% cash.

The parent is Shearson Lehman Hutton, a unit of American Express.

Barry Berlin, president, is chief investment officer and client contact.

Shearson Management Inc.

521 Fifth Ave., Suite 1401, New York,
N.Y. 10175; (212) 759-8932

Total assets managed	$206,000,000
Tax-exempt assets managed	
Total	$68,000,000
Separate accounts	$68,000,000
Minimum separate account	$200,000
Tax-exempt clients	117
Types of accounts managed	CEFG
No. of portfolio managers	2

Shearson Management Inc. is an active equity, passive fixed-income and balanced manager.

Its primary equity approach is to look for "niche" growth companies with proven track records. Accounts usually are diversified in 10 positions.

The asset mix Jan. 1 was 80% equities, 15% bonds and 5% cash.

The parent is Shearson Lehman Hutton, a unit of American Express.

Leslie M. Pollack, chairman and president, is chief investment officer; Andrew S. Hall Jr., executive vice president, is client contact.

Sheffield Investment Management

900 Circle 75 Parkway, Suite 750,
Atlanta, Ga. 30338; (404) 953-1597

Total assets managed	$20,000,000
Tax-exempt assets managed	
Total	$16,000,000
Pooled accounts	$7,000,000
Separate accounts	$9,000,000
Minimum separate account	$250,000
Tax-exempt clients	
Pooled	20
Separate	35
Types of accounts managed	C
No. of portfolio managers	1

Sheffield Investment Management Inc. is an active equity, active fixed-income and balanced manager.

Its equity approach focuses on stocks with low p/e ratios, using screens to locate stocks selling at or below book value and having earnings growth potential of 20% annually. In fixed-income it uses bonds to enhance cash flow and reduce volatility. Maturities are held to three to six years. Options are used.

The asset mix Jan. 1 was 40% equities, 50% bonds, 9% cash and 1% mortgage-backed securities.

Roger Sheffield is chief investment officer and client contact.

Shields Asset Management

709 Westchester Ave., White Plains,
N.Y. 10604; (914) 684-6900

Total assets managed	$3,776,000,000
Tax-exempt assets managed	
Total	$3,776,000,000
Separate accounts	$3,776,000,000
Minimum separate account	$5,000,000
Tax-exempt clients	109
Types of accounts managed	JG
No. of portfolio managers	6
Size of research staff	6

Shields Asset Management Inc. is an active equity, active fixed-income and balanced manager. Pooled guaranteed investment contract funds are available.

Its equity approach attempts to identify and overweight sectors and industry groups most likely to benefit from anticipated political, economic and fundamental trends. Portfolios are diversified among well-capitalized, industry-leading companies. Emphasis is placed on consistent, competitive lower volatility returns.

In fixed-income, maturity/duration judgments within an intermediate term average life are based on anticipating interest rate trends. Sector shifts are made when appropriate; only high-quality investment-grade issues are considered.

The asset mix Jan. 1 was 40% stocks, 50% bonds and 10% cash.

The parent is Xerox Financial Services.

Clients include Boilermaker Blacksmith National Pension, Missouri Employees and UFCW International.

Kenneth Safian, director of investment strategy, is chief investment officer; John R. Larkin, senior vice president, is client contact.

Siebel Capital Management

80 E. Sir Francis Drake Blvd.,
Larkspur, Calif. 94939; (415)
461-3850

Total assets managed	$2,281,000,000
Tax-exempt assets managed:	
Total	$1,569,000,000
Pooled accounts	$26,000,000
Separate accounts	$1,543,000,000
401(k)/457 assets managed	$4,000,000
No. of 401(k)/457 plans	1
Minimum separate account	$500,000
Tax-exempt clients:	
Pooled	2
Separate	98
Types of accounts managed	CEFJG
No. of portfolio managers	8
Size of research staff	2

Siebel Capital Management Inc. is an active equity, active fixed-income and balanced manager.

Its equity approach is value-oriented, using low p/e growth stocks and sector rotation with market timing/tactical asset allocation.

Its fixed-income approach is duration management, using moderate market timing to follow the market.

The asset mix Jan. 1 was 37% stocks, 16% bonds and 47% cash.

The parent is Equitec Financial Group Inc.

Clients include Federal Express, Oklahoma Teachers, Ohio State University and Hawaiian Electric.

Kenneth F. Siebel, president, is chief investment officer; Lawrence A. Mitchell, executive vice president, is client contact.

Signet Asset Management

P.O. Box 26311, Richmond, Va.
23260; (804) 771-7131

Total assets managed	$395,000,000
Tax-exempt assets managed:	
Total	$342,000,000
Separate accounts	$342,000,000
Minimum separate account	$1,000,000
Tax-exempt clients	36
Types of accounts managed	CEFJG
No. of portfolio managers	4
Size of research staff	2

Signet Asset Management is an active equity, active fixed-income and balanced manager.

Its equity approach is risk averse, incorporating a value-driven style that involves a continual and concurrent process of top-down economic analysis and quantitative stock evaluation. Its fixed-income approach uses maturity and sector changes to maximize returns. Derivative products may be used to supplement income or control volatility.

The asset mix Jan. 1 was 47% stocks, 45% bonds and 8% cash.

The parent is Signet Banking Corp.

W. Guy Williams Jr., executive vice president, is chief investment officer; C. Gregory Weirich, vice president, is client contact.

Signet Bank/Maryland

P.O. Box 17034, Baltimore, Md.
21203; (301) 332-5877

Total assets managed	$618,000,000
Tax-exempt assets managed:	
Total	$250,000,000
Commingled accounts	$23,000,000
Separate accounts	$227,000,000
401(k)/457 assets managed	$8,000,000
No. of 401(k)/457 plans	30
Minimum separate account	$1,000,000
Tax-exempt clients:	
Commingled	67
Separate	205
Types of accounts managed	CEF
No. of portfolio managers	7

Signet Bank/Maryland is an active equity, active fixed-income, balanced, tactical asset allocation and GIC manager.

Its equity approach uses sector rotation and Graham & Dodd principles. Its top-down analysis combines quantitative stock valuation and qualitative computer modeling techniques.

Its fixed-income approach uses interest rate anticipation and sector analysis. High quality and maturities averaging less than 10 years are guides.

Real estate funds are offered through outside suppliers.

The asset mix Jan. 1 was 50% stocks, 30% bonds and 20% cash.

The parent is Signet Banking Corp.

Guy Williams is chief investment officer; Paul Meyer, senior trust officer, is client contact.

Simpson Capital Management Co.

1205 PSFS Building, Philadelphia, Pa.
19107; (215) 629-0162

Total assets managed	$60,000,000
Tax-exempt assets managed:	
Total	$20,000,000
Separate accounts	$20,000,000
Minimum separate account	$1,000,000
Tax-exempt clients	12
Types of accounts managed	C
No. of portfolio managers	1

Simpson Capital Management Co. is an active equity, active fixed-income, balanced and tactical asset allocation manager.

Its equity approach is contrarian, using Graham & Dodd analysis and low p/e screens to identify growth and emerging growth stocks. Sector rotation and market timing are used.

Its fixed-income approach predominantly uses Treasuries in a process that controls maturity management through interest rate anticipation.

The asset mix Jan. 1 was 20% equity, 10% bonds and 70% cash.

Allen J. Simpson, president, is chief investment officer and client contact.

Sit Investment Associates

4600 Norwest Center, 90 S. Seventh
St., Minneapolis, Minn. 55402-4130;
(612) 332-3223

Total assets managed	$2,324,000,000
Tax-exempt assets managed:	
Total	$1,996,000,000
Separate accounts	$1,996,000,000
Mortgage-backed assets	$37,000,000
International equity assets	$45,000,000
Minimum separate account	$15,000,000
Tax-exempt clients	28
Types of accounts managed	CEFG
No. of portfolio managers	5
Size of research staff	3

Sit Investment Associates Inc. is an active equity, active fixed-income, balanced and short-term manager.

Its equity approach is rotational, used in combination with 10% to 15% positions in smaller and medium-size growth companies. Separate emerging growth style products are available.

Its primary fixed-income approach is interest rate anticipation rotated with short- and long-duration, stable return products. Fixed-income futures are used.

The asset mix Jan. 1 was 89% equity, 3% bonds, 6% cash and 2% mortgage-backed securities.

The firm follows 200 stocks closely and 500, generally; 60% of research is generated internally.

Eugene C. Sit, president and chief executive officer, is chief investment officer; Peter L. Mitchelson, executive vice president, is client contact.

Skye Investments Inc.

P.O. Box 12305, 625 Highway 50,
Suite 7, Zephyr Cove, Nev. 89448;
(702) 588-5022

Total assets managed	$611,000,000
Tax-exempt assets managed:	
Total	$568,000,000
Separate accounts	$568,000,000
Mortgage-backed assets	$34,000,000
Minimum separate account	$5,000,000
Tax-exempt clients	5
Types of accounts managed	CF
No. of portfolio managers	2
Size of research staff	2

Skye Investments Inc., a passive equity and fixed-income manager, offers quantitative approaches to risk management and asset allocation.

It uses a variety of methods including option pricing, statistical return enhancement and dynamic programming to protect equity and fixed-income portfolios against adverse market moves and to enhance their long-term rate of return. Skye provides a Surplus Protection Plan for immunizing pension plan surpluses against both stock market and interest rate risk. It uses options and financial futures.

The asset mix Jan. 1 was 94% equity and 6% mortgage-backed securities.

Portfolio insurance is provided to five clients and covers $568 million in U.S. tax-exempt assets.

Paul L. McEntire, president and chief executive officer, is chief investment officer; Pete Thomas, vice president, is client contact.

SLH Asset Management

31 W. 52nd St., New York, N.Y.
10019; (212) 767-3885

Total assets managed	$8,463,000,000
Tax-exempt assets managed:	
Total	$1,223,000,000
Pooled accounts	$102,000,000
Separate accounts	$1,121,000,000
Tax-exempt clients:	
Pooled	3
Separate	333
Types of accounts managed	CEFJG

SLH Asset Management offers equity, fixed-income and balanced management through its two subsidiaries, profiled below. SLH Asset Management primarily incorporates the equity mutual funds and discretionary investment advisory business of the former Hutton Asset Management Group; Bernstein-Macaulay Inc. (profiled separately) includes all fixed-income mutual fund assets of the former firm.

The parent company is Shearson Lehman Hutton, a unit of American Express.

Thomas B. Stiles II, chairman, is chief executive officer and client contact.

- SLH Capital Management manages $1.143 billion in active equity and balanced accounts for 300 U.S. institutional tax-exempt discretionary clients.

Its equity approach seeks to identify companies characterized by an attractive combination of profitability, growth and financial strength priced at below-market p/e ratios.

For balanced accounts, the fixed-income approach focuses on yield curve inflation and the relative attractiveness of government vs. corporate issues. Maturities are kept below 10 years.

Its asset mix Jan. 1 was 55% equities, 28% bonds and 17% cash.

Peter Smith, senior vice president and managing director, is chief investment officer and client contact.

- SLH Government Securities Management manages $80 million in tax-exempt assets in active fixed-income accounts for 36 clients.

The firm monitors and analyzes key economic data to identify longer term interest rate trends. Portfolios are positioned accordingly, using U.S. government and selected agency issues. Average maturity structure is kept within five years.

All assets were in bonds Jan. 1.

Ellen Friedenberg, vice president, is chief investment officer and client contact.

SLH Capital Management

31 W. 52nd St., 13th Floor, New York,
N.Y. 10019; (212) 767-2181

See entry for SLH ASSET MANAGEMENT.

SLH Government Securities Management

31 W. 52nd St., 15th Floor, New York,
N.Y. 10019; (212) 767-3708

See entry for SLH ASSET MANAGEMENT.

Smith Affiliated Capital

880 Third Ave., New York, N.Y. 10022;
(212) 644-9440

Total assets managed	$577,000,000
Tax-exempt assets managed:	
Total	$495,000,000
Separate accounts	$495,000,000
Minimum separate account	$2,000,000
Tax-exempt clients	33
Types of accounts managed	CEFG
No. of portfolio managers	5

Smith Affiliated Capital Corp. is an active equity, active fixed-income and balanced manager.

Its equity approach starts with a heavy fixed-income bias (70%) and uses stocks as a hedge. Equities are considered a complement, not a supplement, to the fixed-income portion.

Its fixed-income approach moves on the Treasury yield curve. The firm will move out along the yield curve when rewarded for additional maturity risk. If the yield curve flattens, the firm will shorten maturities. Value is added through sector and maturity selection.

The asset mix Jan. 1 was 21% equity, 74% bonds and 5% cash.

Clients include Brotherhood of Teamsters Local 707, Brooklyn Union Gas, Uniroyal and Minneapolis Teachers.

Bob Smith, president, is chief investment officer; C. Edward Lawson, executive vice president, is client contact.

Smith Barney Capital Management

1345 Avenue of the Americas, New
York, N.Y. 10105; (212) 698-6131

Total assets managed	$3,400,000,000
Tax-exempt assets managed:	
Total	$1,800,000,000
Separate accounts	$1,800,000,000
International fixed-income assets	$200,000,000
Minimum separate equity account	$5,000,000
Minimum separate bond account	$10,000,000

Tax-exempt clients	59
Types of accounts managed	CEFJ
No. of portfolio managers	8
Size of research staff	48

Smith Barney Capital Management is an active equity, active and passive fixed-income, balanced and active international fixed-income manager.

The firm assumes a high-yield, moderate growth approach to balanced and equity management, with an emphasis on equity investments with higher dividend yields and companies that provide moderate growth or that represent value opportunities. This allows the firm to lower volatility and preserve capital during weak markets and to participate in strong markets.

Its fixed-income approach manages high-quality securities for both income and appreciation. Portfolios emphasize a laddered maturity approach using short and intermediate securities. Long-term maturities are used in moderation to enhance appreciation.

The asset mix Jan. 1 was 50% stocks, 30% bonds and 20% cash.

The parent is Smith Barney Harris Upham & Co. Inc.

Bruce D. Sargent is chief investment officer.

Jill Jordon, managing director, and D. Kirk Narick, vice president, are client contacts.

Cabanne Smith Associates

101 Bryn Mawr Ave., Suite 362, Bryn
Mawr, Pa. 19010; (215) 525-8350

Total assets managed	$76,000,000
Tax-exempt assets managed:	
Total	$62,000,000
Separate accounts	$62,000,000
International equity assets	$1,000,000
Minimum separate account	$1,000,000
Tax-exempt clients	4
Types of accounts managed	CJ
No. of portfolio managers	2
Size of research staff	1

Cabanne Smith Associates Inc., an active equity manager, invests in growth equities where the two-year EPS growth rate is at least 1.25 times the current market multiple. This growth rate to multiple valuation approach allows the firm to construct portfolios for both conservative and aggressive investors.

The asset mix Jan. 1 was 87% equity and 13% cash.

Cabanne C. Smith, president, is chief investment officer and client contact.

Donald Smith & Co. Inc.

15 Essex Road, Paramus, N.J. 07652;
(201) 368-9210

Total assets managed	$944,000,000
Tax-exempt assets managed:	
Total	$944,000,000
Separate accounts	$944,000,000
401(k)/457 assets managed	$35,000,000
No. of 401(k)/457 plans	2
Minimum separate account	$50,000,000
Tax-exempt clients	14
Types of accounts managed	CEG
No. of portfolio managers	2
Size of research staff	1

Donald Smith & Co. Inc. is an active equity and balanced manager.

Its equity approach focuses fundamental research on stocks with low p/e and low price to book value ratios. Its fixed income approach uses interest rate anticipation and sector analysis.

The asset mix Jan. 1 was 66% equity, 2% bonds and 32% cash.

The firm follows 200 stocks closely and 500, generally; 90% of the research is generated internally.

Clients include Harvard University, University of Texas, State of Virginia and Allied.

Donald G. Smith, president, is chief investment officer and client contact

Smoot, Miller, Cheney & Co.

10 W. First South, Crandall Building,
Suite 312, Salt Lake City, Utah
84101; (801) 328-4835

Total assets managed	$1,300,000,000
Tax-exempt assets managed:	
Total	$1,220,000,000
Separate accounts	$1,220,000,000
401(k)/457 assets managed	$3,000,000
No. of 401(k)/457 plans	3
Minimum separate account	$1,000,000
Tax-exempt clients	67
Types of accounts managed	CEFJG
No. of portfolio managers	4
Size of research staff	2

Smoot, Miller, Cheney & Co. is an active equity, active fixed-income, balanced and short-term manager.

Its value-oriented, cyclical equity approach emphasizes financially strong companies that offer greater relative value and are generally underowned. Fundamental and technical analysis are blended.

Its primary fixed-income approach is based on interest rate anticipation.

The asset mix Jan. 1 was 66% equity, 22% bonds and 12% cash.

The firm follows 60 to 100 stocks closely and 100 to 150, generally; 80% of research is generated internally.

Robert Cheney, executive vice president and director of research, is chief investment officer; Lynn C. Miller, president, is client contact.

Snyder Capital Management

400 Montgomery St., Suite 700, San
Francisco, Calif. 94104; (415)
392-3900

Total assets managed	$80,000,000
Tax-exempt assets managed:	
Total	$50,000,000
Separate accounts	$50,000,000
International equity assets	$4,000,000
Minimum separate account	$2,000,000
Tax-exempt clients	12
Types of accounts managed	CFJ
No. of portfolio managers	1
Size of research staff	3

Snyder Capital Management is an active equity, passive fixed-income and balanced manager.

Its equity selection follows a disciplined, value-related approach. Emphasis is on capital preservation and superior upside performance.

The asset mix Jan. 1 was 60% equity, 20% bonds and 20% cash.

Alan B. Snyder is chief investment officer; Walter Niemasik Jr. is client contact.

Society Corp.

900 Superior Ave., Cleveland, Ohio
44114; (216) 689-5476

Total assets managed	$5,134,000,000
Tax-exempt assets managed:	
Total	$2,131,000,000
Commingled accounts	$792,000,000
Separate accounts	$1,339,000,000
401(k)/457 assets managed	$115,000,000
No. of 401(k)/457 plans	59
Minimum separate account	$1,000,000
Tax-exempt clients	
Commingled	1,811
Separate	1,428
Types of accounts managed	CEFG
No. of portfolio managers	34
Size of research staff	3

Society Corp. is an active equity, active and passive fixed-income, balanced, short-term and GIC manager.

Its equity approach is to invest primarily in stocks offering long-term value. The major exception is the earnings momentum fund, for which stocks are bought that exhibit accelerated earnings.

Its active fixed-income approach is to manage duration on the basis of projected interest movements.

The asset mix Jan. 1 was 27% stocks, 16% bonds, 18% cash and 39% GICs.

The bank follows 200 stocks closely and 300, generally; 25% of research is generated internally.

Don Cruse Jr. is chief investment officer; Mark F. Rhein, assistant vice president, is client contact.

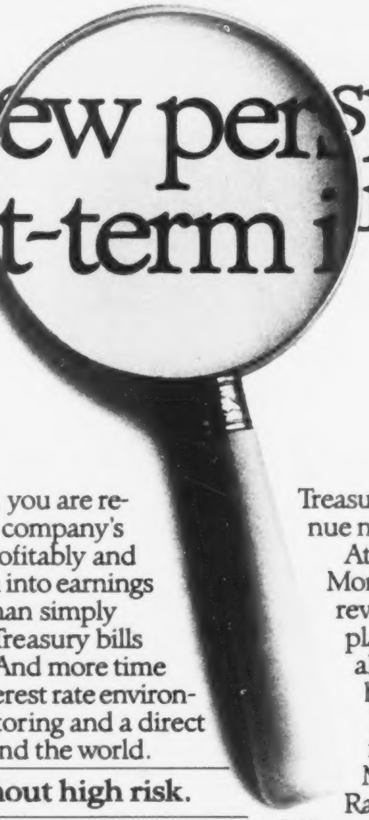
Solomon Asset Management

70 E. 55th St., New York, N.Y. 10022;
(212) 753-0700

Total assets managed	$2,223,000,000
Tax-exempt assets managed	
Total	$1,671,000,000
Separate accounts	$1,671,000,000
Minimum separate account	$15,000,000
Tax-exempt clients	18
Types of accounts managed	CF
No. of portfolio managers	2
Size of research staff	4

Solomon Asset Management is an active fixed-income and convertible bond manager focusing on lower-rated high-yield and convertible bonds. Security mix depends on yield spreads but the firm aggressively seeks high total returns without timing interest

Texas Commerce Money Market Management



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At no cost to you a Texas Commerce Money Market Management Specialist will review your current short-term investment plan and model your portfolio using alternative investments. For a detailed brochure on Texas Commerce Money Market Management, please mail this form to Texas Commerce Investment Management Company, or call Geoff Raymond, President and Chief Investment Officer, toll free at 1-800-231-5652 (ext. 6489) outside Texas or 1-800-392-3936 (ext. 6489) in Texas. Let us give you a new perspective on short-term investment options.

Texas Commerce Investment Management

NAME ____________________

COMPANY ____________________

JOB/TITLE ____________________

ADDRESS ____________________

PHONE ____________________

BEST TIME TO CALL ____________________

Mail to Geoff Raymond at Texas Commerce Investment Management Company, Post Office Box 2558, Houston, Texas 77252-8050

Texas Commerce Investment Management Company, a registered investment advisor, currently manages $4.6 billion for corporate, public and union pension funds, corporations, endowments, foundations and individuals. Institutional clients are offered separate account management in sixteen commingled funds to attain emerging growth, growth, equity income, fixed income or balanced investment objectives including a defined specialization in short-term money market management. Texas Commerce Investment Management Company is a wholly owned subsidiary of Texas Commerce Bancshares, Inc., which is a subsidiary of Chemical Banking Corporation

Past performance is no guarantee of future performance

rates.

Clients include PacTel, GM and IBM.

Gerald B. Unterman is chief investment officer; Marianne Murphy Holmes is client contact.

Sound Shore Management

P.O. Box 1810, 8 Sound Shore Drive,
Greenwich, Conn. 06836; (203)
629-1980

Total assets managed	$551,000,000
Tax-exempt assets managed	
Total	$529,000,000
Pooled accounts	$29,000,000
Separate accounts	$500,000,000
Minimum separate account	$10,000,000
Tax-exempt clients	
Pooled	195
Separate	29
Types of accounts managed	CEF
No. of portfolio managers	4
Size of research staff	1

Sound Shore Management Inc., an active equity and balanced manager, combines computer valuation screens and fundamental research to select high-quality, out-of-favor stocks selling at low p/e ratios both absolutely and relative to their historic norms vs. the market.

The asset mix Jan. 1 was 82.6% equities, 1.9% bonds and 15.5% cash.

The firm follows 40 stocks closely and 80, generally; 80% of research is generated internally.

Clients include Capital Cities/ABC, Nature Conservancy, Stanley Works and University of Texas.

Harry Burn III, vice president and treasurer, is chief investment officer; Mr. Burn and T. Gibbs Kane Jr., president, are client contacts.

Southeastern Asset Management

860 Ridgelake Blvd., Memphis, Tenn.
38119; (901) 761-2474

Total assets managed	$1,220,000,000
Tax-exempt assets managed	
Total	$825,000,000
Pooled accounts	$75,000,000
Separate accounts	$750,000,000
401(k)/457 assets managed	$2,000,000
Minimum separate account	$10,000,000
Tax-exempt clients	
Pooled	1
Separate	102
Types of accounts managed	CEFGJ
No. of portfolio managers	5
Size of research staff	5

Southeastern Asset Management is an active equity, active and passive fixed-income, balanced and small-cap manager.

Its equity approach is value-oriented, using low p/e and Graham & Dodd analysis. It chooses stocks whose prices are significantly below their intrinsic worth as determined by liquidating value, cash generating ability and comparable sales price.

The asset mix Jan. 1 was 80% stocks, 10% bonds and 10% cash.

The firm follows 100 stocks closely and 500, generally; all research is generated internally.

Clients include University of Alabama, Litton Industries, Carson Pirie Scott and City of Jacksonville.

O. Mason Hawkins is chief investment officer; Frank N. Stanley III is client contact.

Southwestern Life Insurance

P.O. Box 2699, Dallas, Texas
75221-2699; (214) 954-7111

Total assets managed	$2,680,000,000
Total discretionary assets	$2,680,000,000
Tax-exempt assets managed	
Total	$1,474,000,000
Pooled accounts	$10,000,000
GICs	$948,000,000
Annuities	$13,000,000
Other	$503,000,000
401(k)/457 assets managed	$165,000,000
No. of 401(k)/457 plans	85
Equity real estate assets	$50,000,000
Mortgage assets	$180,000,000
Mortgage-backed assets	$98,000,000
International fixed-income assets	$4,000,000
Equity indexed assets	$140,000,000
Fixed-income indexed assets	$1,000,000
Dedicated/immunized assets	$1,000,000,000
Tax-exempt clients:	
Pooled	3
Types of accounts managed	CFG
No. of portfolio managers	5
Size of research staff	2

Southwestern Life Insurance, primarily a fixed-income manager, uses sector analysis and interest rate anticipation in its investment decisions.

The firm's equity approach uses sector rotation and tactical asset allocation.

Options and fixed-income futures are used.

The separate account asset mix Jan. 1 was 94% equities and 6% cash.

The insurer follows 20 stocks closely and 60, generally; 25% of research is generated internally.

Clients include EDS, Fujitsu American, Michigan Consolidated Gas and Mellon Bank.

The parent is ICH Corp.

Jerry Hitpas, president of ICH Financial Services, is chief investment officer; Frank L. "Chip" Gillis, senior vice president-pensions and annuities, is client contact.

Sovran Bank

1111 E. Main St., Richmond, Va.
23219; (804) 788-2388

Total assets managed	$5,318,000,000
Tax-exempt assets managed	
Total	$1,223,000,000
Commingled accounts	$501,000,000
Separate accounts	$722,000,000
401(k)/457 assets managed	$1,349,000,000
No. of 401(k)/457 plans	300
Minimum separate account	$250,000
Tax-exempt clients	
Commingled	436
Separate	56
Types of accounts managed	CEFJG
No. of portfolio managers	10
Size of research staff	4

Sovran Bank is an active equity, active fixed-income and balanced manager.

Its primary equity approach stresses active management, seeking out undervalued, low-multiple issues with improving fundamentals.

Its fixed-income approach concentrates on undervalued sectors, moderate duration decisions and yield curve analysis.

The asset mix Jan. 1 was 50% stocks, 40% bonds and 10% cash.

The bank follows 75 stocks closely and 800, generally; all research is generated internally.

The parent is Sovran Financial Corp.

Robert V. Callahan, trust investment executive officer, is chief investment officer; James R. Springer, senior vice president, is client contact.

Sovran Bank/Maryland

6610 Rockledge Drive, Bethesda, Md.
20817; (301) 493-2909

Total assets managed	$718,000,000
Tax-exempt assets managed	$109,000,000
Tax-exempt clients	218
Types of accounts managed	CEF
No. of portfolio managers	7
Size of research staff	4

Sovran Bank/Maryland is an active equity, active fixed-income and balanced manager.

Its primary equity approach incorporates the use of relative valuation analysis and earnings momentum to arrive at a model. Options are used. Its primary fixed-income approach focuses on analysis of the yield curve, sector and duration.

Camille Argento Baroni is chief investment officer; Carl Brudin is client contact.

Sovran Capital Management

12th & Main Sts., Richmond, Va.
23219; (804) 788-3515

Total assets managed	$1,950,000,000
Tax-exempt assets managed	
Total	$1,950,000,000
Pooled accounts	$220,000,000
Separate accounts	$1,730,000,000
401(k)/457 assets managed	$50,000,000
No. of 401(k)/457 plans	4
Mortgage-backed assets	$420,000,000
Minimum separate account	$5,000,000
Tax-exempt clients	
Pooled	5
Separate	62
Types of accounts managed	CEFJG
No. of portfolio managers	5

Sovran Capital Management is an active equity, active fixed-income, balanced and short-term manager.

Its equity approach focuses on low p/e, higher-yield stocks within fully invested, well-diversified portfolios.

Its fixed-income approach uses three strategies: active sector rotation, moderate maturity changes and yield curve analysis.

The asset mix Jan. 1 was 26% stocks, 50% bonds, 2% cash and 22% mortgage-backed securities.

The firm follows 60 stocks closely and 800, generally; 50% of research is generated internally.

The parent is Sovran Financial Corp.

Clients include Bell Atlantic, CSX, D.C. Retirement and Norfolk Southern.

Stuart Sachs, president, is chief investment officer; Thomas K. MacGillivray, vice president-equity and balanced accounts, and William Schultz, senior vice president-fixed-income, are client contacts.

Spectrum Asset Management Inc.

369 San Miguel Drive, Suite 300,
Newport Beach, Calif. 92660; (714)
955-1121

Total assets managed	$52,000,000
Tax-exempt assets managed	
Total	$18,000,000
Separate accounts	$18,000,000
International equity assets	$1,000,000
Minimum separate account	$500,000
Tax-exempt clients	19
Types of accounts managed	CF
No. of portfolio managers	2

Spectrum Asset Management Inc. is an active equity, active fixed-income and balanced manager.

Its equity approach is risk-averse, using active asset allocation and seeking genuine values. Selection is bottom-up, with consideration to insider accumulation and technical support.

Its fixed-income approach adjusts maturity structure over a credit cycle. It uses only U.S. government issues with public utility equities used as surrogates to provide a rising yield floor.

The asset mix Jan. 1 was 35% equities, 25% bonds and 40% cash.

R. Kelly Kelly is chief investment officer; Marc Kelly is client contact.

George B. Springman Inc.

44 Montgomery St., Suite 626, San
Francisco, Calif. 94104-4608; (415)
362-5005

Total assets managed	$203,000,000
Tax-exempt assets managed	
Total	$203,000,000
Separate accounts	$203,000,000
Minimum separate account	$10,000,000
Tax-exempt clients	3
Types of accounts managed	G
No. of portfolio managers	1
Size of research staff	1

George B. Springman Inc., an active equity manager, stresses bottom-up valuation emphasizing large-cap issues with lower p/e ratios. It has a moderately conservative/defensive, opportunity driven style.

The asset mix Jan. 1 was 98% equity and 2% cash.

The firm follows 50 stocks closely and 200, generally; 35% of research is generated internally.

George B. Springman, president, is chief investment officer and client contact.

The Sprout Group

140 Broadway, New York, N.Y. 10005;
(212) 504-3000

Total assets managed	$192,000,000
Tax-exempt assets managed	
Total	$120,000,000
Pooled accounts	$120,000,000
Minimum separate account	$1,000,000
Tax-exempt clients	25
Types of accounts managed	CEFJ
No. of portfolio managers	13
Size of research staff	2

The Sprout Group, a venture capital manager, seeks significant appreciation through investment in early-round and later-stage financings of U.S. companies with unusually high growth potential, and leveraged and management buy-outs of mature companies.

All tax-exempt assets were in venture capital Jan. 1.

The parent is Donaldson, Lufkin & Jenrette Inc., a subsidiary of Equitable Life Assurance Society of the United States.

Richard Kroon, managing partner, is chief investment officer; Mimi Kronkowski is client contact.

Standish, Ayer & Wood Inc.

1 Financial Center, Boston, Mass.
02111; (617) 350-6100

Total assets managed	$7,982,000,000
Tax-exempt assets managed	
Total	$4,167,000,000
Pooled accounts	$303,000,000
Separate accounts	$3,864,000,000
Mortgage-backed assets	$1,005,000,000
International equity assets	$30,000,000
International fixed-income assets	$150,000,000
International cash assets	$10,000,000
Dedicated/immunized assets	$100,000,000
Minimum separate equity account	$10,000,000
Minimum separate bond account	$40,000,000
Tax-exempt clients	
Pooled	4
Separate	115
Types of accounts managed	CEFGJ
No. of portfolio managers	15
Size of research staff	8

Standish, Ayer & Wood Inc. is an active equity, active fixed-income, balanced, active international equity and short-term manager.

The firm's value/growth equity approach combines Graham & Dodd analysis through use of an in-house quantitative model, mainly medium-cap growth stocks and sector rotation.

Its fixed-income approach uses intermediate maturities, sector analysis and non-Treasury/inefficient/innovative securities, and credit analysis. Options and fixed-income futures are used.

The asset mix Jan. 1 was 16% equities, 57% bonds, 3% cash and 24% mortgage-backed securities.

Arthur H. Parker is chief investment officer; Richard C. Doll, director of marketing and client service, is client contact.

Star Bank

Star Bank Center, Fifth and Walnut
Streets, Cincinnati, Ohio 45201;
(513) 762-8931

Total assets managed	$2,118,000,000
Tax-exempt assets managed	
Total	$1,126,000,000
Commingled accounts	$133,000,000
Separate accounts	$993,000,000
Minimum separate account	$1,000,000
Tax-exempt clients	
Commingled	400
Separate	483
Types of accounts managed	CEF
No. of portfolio managers	7
Size of research staff	6

Star Bank is an active and passive equity, active and passive fixed-income, balanced, real estate, active international equity and short-term manager.

Its equity approach seeks growth and low p/e stocks using quantitative methods.

Its fixed-income approach uses interest rate anticipation and sector analysis.

The asset mix Jan. 1 was 45% stocks, 45% bonds and 10% cash.

The bank follows 150 stocks closely and 1,000, generally; 25% of research is generated internally.

The parent is First National Cincinnati Corp.

B. Randolph Bateman is chief investment officer; Mark A. Sokol, director-investment information, is client contact.

Star Bank, Eastern Indiana

Eighth and Promenade, P.O. Box 818,
Richmond, Ind. 47374; (317)
983-2395

Total assets managed	$223,000,000
Tax-exempt assets managed:	
Total	$38,000,000
Separate accounts	$38,000,000
Minimum separate account	$500,000
Tax-exempt clients	188
Types of accounts managed	CEFG
No. of portfolio managers	3
Size of research staff	2

Star Bank, Eastern Indiana is an active and passive equity, active and passive fixed-income, balanced and short-term manager.

Its value-oriented, Graham & Dodd equity approach concentrates on historical ranges for stock prices based upon sales and cash-flow ratios.

Its fixed-income approach uses interest rate anticipation.

The asset mix Jan. 1 was 30% stocks, 65% bonds and 5% cash.

The parent is Star Bank, Cincinnati.

Craig M. Cunningham, investment officer, and Eric P. Schultz, trust investment officer, are chief investment officers; Kim R. Kemper, employee benefits officer, is client contact.

Firms assigning assets to other managers

Firm	$ mils.*
Morgan Stanley Asset	8,613
Collins Associates	8,000
Common Fund	7,800
Frank Russell Trust	6,400
Vanguard Group	4,869
AMR Investment	3,150
GE Investments	1,400
Laughlin Group Advisors	1,342
Lincoln Nat'l	948
Capital Trust	550
Nationwide Life	484
RSSI	296
Pension Portfolio Advisors	250
Wilmington Trust	54
Schield Mgmt.	33
Strategic Commodity Systems	32
Halbert, Hargrove/Russell	17
Coughlin Asset Mgmt.	2
TOTAL	44,050

* tax-exempt assets managed by others

Starbuck, Tisdale & Associates

301 E. Carrillo St., Santa Barbara,
Calif. 93101; (805) 963-5963

Total assets managed	$109,000,000
Tax-exempt assets managed:	
Total	$52,000,000
Separate accounts	$52,000,000
401(k)/457 assets managed	$1,500,000
No. of 401(k)/457 plans	1
Minimum separate account	$500,000
Tax-exempt clients	46
Types of accounts managed	F
No. of portfolio managers	2

Starbuck, Tisdale & Associates, an active equity and balanced manager, takes a value-oriented equity approach, using low p/e stocks and Graham & Dodd analysis. The firm offers a traditional, fundamental approach.

In fixed-income, it purchases instruments so the duration of the assets coincide with client needs.

The asset mix Jan. 1 was 75% equity and 25% bonds.

L. David Tisdale, president, is chief investment officer; Patrick S. Steele, vice president, is client contact.

State Mutual Cos.

440 Lincoln St., Worcester, Mass.
01605; (508) 852-1000

Total assets managed	$6,588,000,000
Total discretionary assets	$6,588,000,000
Tax-exempt assets managed:	
Total	$3,053,000,000
Pooled accounts	$77,000,000
GICs	$2,093,000,000
Annuities	$45,000,000
Other	$838,000,000
Minimum separate account	$5,000,000
Types of accounts managed	CEFG
No. of portfolio managers	7
Size of research staff	16

State Mutual Cos. is an active and passive equity, active fixed-income and short-term manager.

Active equity accounts are handled by Miller, Anderson & Sherrerd, which manages $114 million in tax-exempt assets (not included above) on the insurer's behalf.

The insurer's equity approach uses sector rotation and growth and emerging growth stocks, and is a value-added contrarian. In fixed-income, it offers active and passive management and immunization/dedication. Options and financial futures are used.

The separate account asset mix Jan. 1 was 18% stocks, 24% bonds and 58% cash.

The parent is State Mutual Life Assurance Co. of America.

James R. McAuliffe, vice president, is chief investment officer; Rich McGirr, vice president-group pension sales, is client contact.

State Street Bank & Trust

225 Franklin St., Boston, Mass. 02110;
(617) 654-3953

Total assets managed	$39,100,000,000
Tax-exempt assets managed:	
Total	$34,500,000,000
Commingled accounts	$12,910,000,000
Separate accounts	$21,590,000,000
401(k)/457 assets managed	$5,840,000,000
No. of 401(k)/457 plans	58

Real estate equity assets	$480,000,000
Mortgage-backed assets	$250,000,000
International equity assets	$5,230,000,000
International fixed-income assets	$10,000,000
Equity indexed assets	$11,920,000,000
Fixed-income indexed assets	$2,130,000,000
Dedicated/immunized assets	$280,000,000
Tax-exempt clients	
Commingled	905
Separate	180
Types of accounts managed	CEFGJ
No. of portfolio managers	41
Size of research staff	10

State Street Bank & Trust Co. offers active and passive strategies for domestic and international equity and fixed income, as well as balanced, tactical asset allocation, real estate, short-term and futures management.

Its equity approach is quantitatively driven, offering passive strategies, tilted or enhanced indexing and risk-constrained active disciplines designed to provide incremental returns over selected domestic and international benchmarks.

Its primary fixed-income approach is passive, focusing on intelligent risk management for active, immunized, dedicated and indexed income portfolios. The firm specializes in using financial futures to alter portfolio asset allocation and risk profile. Options and financial futures are used.

Its real estate approach uses closed-end, commingled and broadly diversified portfolios. It invests in equity real estate on a fee basis, using active management.

The asset mix Jan. 1 was 60% stocks, 7% bonds, 20% cash, 1% equity real estate, 1% mortgage-backed securities, 2% futures and 9% GICs.

The parent is State Street Boston Corp.

Nicholas A. Lopardo, senior vice president, is chief investment officer; Peter E. Braun, vice president, is client contact.

State Street Research & Management Co.

1 Financial Center, Boston, Mass.
02111; (617) 482-3920

Total assets managed	$13,021,000,000
Tax-exempt assets managed:	
Total	$10,144,000,000
Pooled accounts	$827,000,000
Separate accounts	$9,317,000,000
Mortgage-backed assets	$1,000,000,000
Dedicated/immunized assets	$429,000,000
Minimum separate account	$40,000,000
Tax-exempt clients:	
Pooled	1
Separate	60
Types of accounts managed	CEFJG
No. of portfolio managers	14
Size of research staff	20

State Street Research & Management Co. is an active equity, active fixed-income and balanced manager.

Its equity approach is value-oriented and price sensitive, relying heavily on internally generated fundamental research. Growth stocks are targeted; sector rotation is used.

Its fixed-income approach focuses on interest rate forecasting as well as sector and issuer weightings. Fixed-income futures are used.

The asset mix Jan. 1 was 48% equity, 29% bonds, 13% cash and 10% mortgage-backed securities.

The firm follows 250 to 350 stocks closely and 550, generally; 95% of research is generated internally.

The parent is Metropolitan Life Insurance Co.

Alexander Webb III, executive vice president, is chief investment officer; Edward W. Bickford, vice president, is client contact.

Steele & Co. Ltd.

42 E. Gay St., Suite 1312, Columbus,
Ohio 43215; (614) 461-5901

Total assets managed	$28,000,000
Tax-exempt assets managed:	
Total	$15,000,000
Separate accounts	$15,000,000
Minimum separate account	$350,000
Tax-exempt clients	16
Types of accounts managed	CF
No. of portfolio managers	2

Steele & Co. Ltd. is an active equity, active fixed-income, balanced and tactical asset allocation manager.

Its equity approach uses growth and emerging growth stock, sector rotation and market timing. Technical analysis is emphasized. Its fixed-income approach uses interest rate anticipation and trend analysis based on technical analysis. Its fixed-income model allows swift market timing between long-term Treasuries and cash.

The asset mix Jan. 1 was 65% equity, 10% bonds and 25% cash.

Michael B. Steele is chief investment officer and client contact.

Stein Roe & Farnham Inc.

1 S. Wacker Drive, 35th Floor,
Chicago, Ill. 60606; (312) 368-7632

Total assets managed	$16,312,000,000
Tax-exempt assets managed:	
Total	$5,838,000,000
Separate accounts	$5,838,000,000
401(k)/457 assets managed	$943,000,000
No. of 401(k)/457 plans	29
Mortgage-backed assets	$900,000,000
International equity assets	$15,000,000
Equity indexed assets	$73,000,000
Dedicated/immunized assets	$400,000,000
Minimum separate equity account	$600,000
Minimum separate bond account	$4,200,000
Tax-exempt clients	902
Types of accounts managed	CEFGJ
No. of portfolio managers	55
Size of research staff	38

Stein Roe & Farnham Inc. is an active equity, active fixed-income, balanced, short-term and forward conversions manager.

Its equity approach seeks opportunities in growth and emerging growth stocks. It uses a 6,500-stock data base to assist its fundamental analysts in arriving at a core of approximately 175 companies.

Its primary fixed-income approach is risk-averse and employs multiple disciplines (maturity optimization, sector rotation and credit selection) with a bias toward capital preservation in bear markets.

Options and financial futures are used.

The asset mix Jan. 1 was 44% stocks, 26% bonds, 15% cash and 15% mortgage-backed securities.

Liberty Mutual Insurance Co. owns 80% of Stein Roe & Farnham.

Timothy A. Schlindwein, vice chairman-executive committee, and H. Kent Mergler, president, are chief investment officers; Richard L. Ford, first vice president, is client contact.

Sterling Capital Management

1770 Independence Center, Charlotte,
N.C. 28246; (704) 372-8670

Total assets managed	$806,000,000
Tax-exempt assets managed:	
Total	$591,000,000
Pooled accounts	$48,000,000
Separate accounts	$543,000,000
401(k)/457 assets managed	$10,000,000
No. of 401(k)/457 plans	3
Minimum separate account	$5,000,000
Tax-exempt clients:	
Pooled	2
Separate	88
Types of accounts managed	CEFG
No. of portfolio managers	6

Sterling Capital Management is an equity-oriented manager.

It follows a disciplined, asset allocation-oriented investment process. From a universe of 10,000, its initial screening reduces the number of issues to 700. Further valuation analysis reduces the universe to 150 to 200 stocks, from which the most attractive are selected.

Fixed-income is used for liquidity, capital preservation and volatility reduction. Interest rate anticipation and sector analysis are used.

The asset mix Jan. 1 was 35% stocks, 50% bonds and 15% cash.

The parent is United Asset Management.

W. Olin Nisbet, president, is chief investment officer; J. Calvin Rivers, vice president-marketing, is client contact.

Stock Fund Management

1125 17th St., Suite 1700, Denver,
Colo. 80202-2032; (800) 543-5762
or (303) 296-2138

Total assets managed	$18,000,000
Tax-exempt assets managed:	
Total	$16,000,000
Pooled accounts	$8,000,000
Separate accounts	$8,000,000
401(k)/457 assets managed	$500,000
No. of 401(k)/457 plans	10
Minimum separate account	$50,000
Tax-exempt clients:	
Pooled	100
Separate	120
Types of accounts managed	C
No. of portfolio managers	2

Stock Fund Management Inc. is an active fixed-income and tactical asset allocation manager.

Its equity approach, based on tactical asset allocation and quantitative techniques, is to manage portfolios consisting of mutual funds to attain superior relative returns through asset allocation and fund selection. For fixed-income, the firm monitors key fundamental (valuation and monetary conditions) and technical (momentum and sentiment) indicators on a daily basis and adjusts portfolios as needed.

The asset mix Jan. 1 was 30% equities, 25% bonds and 45% cash.

Richard C. Davis, executive vice president, is chief investment officer; Jason E. Trow, vice president, is client contact.

Strategic Commodity Systems

4835 Towne Centre Drive, Suite 205,
Saginaw, Mich. 48604; (517)
791-1800

Total assets managed	$32,000,000
Tax-exempt assets managed:	
Total	$32,000,000
Assigned to other firms	$32,000,000
Minimum separate account	5,000,000
Tax-exempt clients	2
Types of accounts managed	G

Strategic Commodity Systems is a futures manager of managers.

Its investment approach allocates assets to managers with different styles and risk/reward characteristics using a negative correlation method. Options and financial futures are used.

The asset mix Jan. 1 was 100% futures.

Clients are the Policemen & Firemen Retirement System of Detroit and General Retirement Systems of Detroit.

James M. Stapleton is chief investment officer and client contact.

Stratton Capital Management Inc.

4900 Main St., Suite 718, Kansas City,
Mo. 64112; (816) 561-5670

Total assets managed	$10,000,000
Tax-exempt assets managed:	
Total	$6,000,000
Separate accounts	$6,000,000
Minimum separate account	$50,000
Tax-exempt clients	40
Types of accounts managed	C
No. of portfolio managers	2

Stratton Capital Management Inc. is an active equity and balanced manager.

Its primary equity approach uses technical analysis of individual issues to screen for stocks that appear to be under accumulation. Sell disciplines are emphasized. Its primary fixed-income approach uses interest rate anticipation to select short- to intermediate-term Treasuries.

The asset mix Jan. 1 was 60% equities and 40% cash.

John Stratton is chief investment officer; Brad Stratton is client contact.

Stratton Management Co.

610 W. Germantown Pike, Suite 361,
Plymouth Meeting, Pa. 19462; (215)
941-0888

Total assets managed	$460,000,000
Tax-exempt assets managed:	
Total	$258,000,000
Separate accounts	$258,000,000
Minimum separate account	$5,000,000
Tax-exempt clients	32
Types of accounts managed	CEF
No. of portfolio managers	3
Size of research staff	1

Stratton Management Co., an active equity manager, uses a disciplined yield-value approach. Yields must be 33% greater than the S&P 500 yield and the companies must pass stringent dividend growth and dividend payout ratios. Stocks are sold when their yield hits the S&P yield.

The asset mix Jan. 1 was 96% stocks and 4% cash.

The firm follows 350 stocks closely and 60, generally; 75% of the research is generated internally.

Clients include Thomas Jefferson University, American Cancer Society, Wells College and The Philadelphia Phillies.

James W. Stratton, president, is chief investment officer; James G. Hesser, director of marketing, is client contact.

Strong/Corneliuson Capital Management Inc.

100 Heritage Reserve, Menomonee
Falls, Wis. 53051; (414) 359-3400

Total assets managed	$4,366,000,000
Tax-exempt assets managed:	
Total	$1,928,000,000
Separate accounts	$1,928,000,000
401(k)/457 assets managed	$100,000,000
No. of 401(k)/457 plans	10
Minimum separate account	$5,000,000
Tax-exempt clients	83
Types of accounts managed	CEFG
No. of portfolio managers	4

Strong/Corneliuson Capital Management Inc. is an active equity, active fixed-income, balanced and short-term manager.

Its primary equity approach uses growth and low p/e stocks and Graham & Dodd analysis. Its fixed-income approach is based on interest rate anticipation.

Options and financial futures are used for hedging purposes only.

The asset mix Jan. 1 was 51% equities, 13% bonds and 36% cash.

The firm follows 100 stocks closely and 300, generally; all research is generated internally.

Clients include Southern Co. Services, Inland Container, Johnson Controls and Public Service Electric & Gas.

Richard S. Strong, chairman, and William D. Corneliuson, vice chairman, are chief investment officers; Mr. Corneliuson and William G. Waller, senior vice president, are client contacts.

Stuyvesant Capital Management Corp.

50 Broad St., Room 1234, New York,
N.Y. 10004; (212) 422-8773

Total assets managed	$180,000,000
Tax-exempt assets managed:	
Total	$114,000,000
Separate accounts	$114,000,000
Minimum separate account	$500,000
Tax-exempt clients	42
Types of accounts managed	CEFGJ
No. of portfolio managers	5
Size of research staff	2

Stuyvesant Capital Management Corp. is an active equity, active fixed-income, balanced and tactical asset allocation manager.

Its primary equity approach is a Graham & Dodd valuation model. The firm evaluates a company's business plus the growth and stability of earnings. The firm has disciplined buy/sell points on 800 stocks.

Its primary fixed-income approach is to anticipate opportunities that evolve during the course of an interest rate cycle. A proprietary business index determines outlook regarding the economy, inflation and yield curve.

The asset mix Jan. 1 was 30% stocks, 40% bonds and 30% cash.

Donald von Wedel is chief investment officer; David Olsan is client contact.

STW Fixed Income Management Inc.

1165 Coast Village Road, Santa
Barbara, Calif. 93108; (805)
565-1625

Total assets managed	$4,054,000,000
Tax-exempt assets managed:	
Total	$3,184,000,000
Separate accounts	$3,184,000,000
401(k)/457 assets managed	$63,000,000
No. of 401(k)/457 plans	3
Mortgage assets	$6,000,000
International fixed-income assets	$108,000,000
Minimum separate account	$20,000,000
Tax-exempt clients	87
Types of accounts managed	CEFGJ
No. of portfolio managers	3

STW Fixed Income Management Inc., an active domestic and international fixed-income manager, seeks undervalued bonds considering quality, maturity, coupon and sector. Its long-duration product maximizes future income stream; short-duration imposes minimum return constraints. Fixed-income futures are used.

All assets Jan. 1 were in bonds.

William H. Williams, principal, is chief investment officer; Mitchell S. Littie, vice president, is client contact.

Sullivan, Morrissey & Mickle Capital Management Corp.

450 Park Ave., Suite 2003, New York,
N.Y. 10022; (212) 832-7440

Total assets managed	$122,000,000
Tax-exempt assets managed:	
Total	$98,000,000
Separate accounts	$98,000,000
Minimum separate account	$1,000,000
Tax-exempt clients	18
Types of accounts managed	CJ
No. of portfolio managers	3
Size of research staff	3

Sullivan, Morrissey & Mickle Capital Management Corp., an active equity, active fixed-income and balanced manager, takes a value/growth-oriented approach.

The asset mix Jan. 1 was 80% equities, 10% bonds and 10% cash.

The firm follows 150 stocks closely and 500, generally; 95% of research is generated internally.

Clients include Beecham, Cunard Lines, Glass Plastic & Pipefitters Allied Workers and Redemptorist Fathers.

John F. Sullivan, chairman, is chief investment officer and client contact.

The Sumitomo Bank of California Trust Department

320 California St., San Francisco,
Calif. 94104; (415) 445-8097

Total assets managed	$94,000,000
Tax-exempt assets managed:	
Total	$62,000,000
Separate accounts	$62,000,000
Equity real estate assets	$1,000,000
Mortgage assets	$24,000,000
Tax-exempt clients	11
Types of accounts managed	C
No. of portfolio managers	1

The Sumitomo Bank of California Trust Department is an active equity, active fixed-income, balanced and real estate manager.

Its equity approach uses Graham & Dodd principles. Sector weightings generally are derived from macroeconomic considerations. Fundamental research is combined with screens for earnings changes and relative p/e multiples. Alternative strategies based upon dividend income requirements and/or capital appreciation are offered.

Its fixed-income approach uses interest rate anticipation. The bank actively manages a mortgage portfolio.

The asset mix Jan. 1 was 19% stocks, 3% bonds, 34% cash, 2% equity real estate, 39% mortgages and 3% other.

The parent is Sumitomo Bank Ltd.

Edward H. Turner Jr., assistant vice president and trust investment officer, is chief investment officer and client contact.

Summit Investment Management Ltd.

2323 N. Mayfair Road, Suite 330,
Milwaukee, Wis. 53226; (414)
256-7433

Total assets managed	$29,000,000
Tax-exempt assets managed:	
Total	$9,000,000
Separate accounts	$9,000,000
Minimum separate account	$250,000
Tax-exempt clients	12
Types of accounts managed	CF
No. of portfolio managers	2

Summit Investment Management Ltd. is an active equity, active fixed-income and balanced manager, with asset allocation responsibilities for balanced accounts.

Its equity style seeks undervalued stocks based on a real cash flow return on an investment model that requires stocks have a minimum 20% upside potential in a stable market. Its fixed-income style is based on interest rate anticipation with an intermediate term maturity target.

Options and financial futures are used on client request.

The asset mix Jan. 1 was 45% stocks, 35% bonds and 20% cash.

Marvin R. Swentkofske, president, is chief investment officer; Donald E. Stockhausen, vice president, is client contact.

Sun Bank Capital Management

P.O. Box 3808, Orlando, Fla. 32802;
(407) 237-4352

Total assets managed	$3,300,000,000
Tax-exempt assets managed	
Total	$3,300,000,000
Commingled accounts	$651,000,000
Separate accounts	$2,649,000,000
Minimum separate account	$10,000,000
Tax-exempt clients	
Commingled	3
Separate	87
Types of accounts managed	CEF
No. of portfolio managers	8
Size of research staff	4

Sun Bank Capital Management, formerly Sun Bank Investment Management Group, is an active equity, active fixed-income and balanced manager.

Its value-oriented, large-cap approach emphasizes stocks with above-average historical expected growth and strong fundamentals that are selling at low relative prices.

Its fixed-income approach emphasizes the full range of maturities and shifts holdings on the basis of interest rate anticipation, sector swapping and yield curve analysis.

The asset mix Jan. 1 was 77% stocks, 16% bonds and 7% cash.

Clients include Commonwealth of Pennsylvania, Oklahoma Employees, Houston Employees and Florida State Board.

The parent is SunTrust Banks Inc.

Anthony R. Gray, president, is chief investment officer; Victor A. Zollo Jr., senior vice president, is client contact.

Sun Life of Canada Investment Management

200 University Ave., Toronto, Ontario
M5H 3C7; (416) 595-7809

Total assets managed	$2,095,000,000
Tax-exempt assets managed	
Total	$1,947,000,000
Pooled accounts	$1,205,000,000
Separate accounts	$742,000,000
For subsidiaries of U.S. firms	$519,000,000
Equity real estate assets	$278,000,000
Mortgage assets	$148,000,000
Non-North American equities	$5,000,000
Dedicated/immunized assets	$20,000,000
Minimum separate account	$1,500,000
Tax-exempt clients	
Pooled	150
Separate	26
U.S. subsidiaries	27
Types of accounts managed	CEFGU
No. of portfolio managers	8
Size of research staff	14

Sun Life of Canada Investment Management Ltd., a Canadian firm, is an active equity, active fixed-income, balanced, real estate, active international equity and short-term manager.

Its equity approach stresses undervalued situations, using Graham & Dodd analysis with low p/e stocks and sector rotation. Its fixed-income approach emphasizes interest rate anticipation, sector swapping and immunization. Its real estate approach concentrates on acquisition of geographically diverse, good-quality industrial, commercial and office properties.

The asset mix Jan. 1 was 36% Canadian stocks, 6% U.S. stocks, 22.7% bonds, 9% cash, 17% equity real estate, 9% mortgages and 0.3% international stocks.

The parent is Sun Life of Canada.

Donald T. Walcot, president, is chief investment officer; Peter Salloum, vice president, is client contact.

Sutro Capital Management

201 California St., San Francisco,
Calif. 94111; (415) 445-8530

Total assets managed	$92,000,000
Tax-exempt assets managed	
Total	$45,000,000
Separate accounts	$45,000,000
401(k)/457 assets managed	$25,000,000
No. of 401(k)/457 plans	10
Minimum separate account	$1,000,000
Tax-exempt clients	27
Types of accounts managed	CF
No. of portfolio managers	2

Sutro Capital Management is a balanced manager.

Its primary equity approach emphasizes low p/e stocks, quality, value and long-term total return, and is concept-sector driven. Its fixed-income approach is based on interest rate anticipation.

The asset mix Jan. 1 was 40% equities, 40% bonds and 20% cash.

The parent is John Hancock Mutual Life Insurance Co.

Lewis H. Katcher is chief investment officer; he and Stephen P. Yeatman are client contacts.

Swanson Capital Management

101 N. Main St., Suite 800, Ann Arbor,
Mich. 48104; (313) 996-8400

Total assets managed	$175,000,000
Tax-exempt assets managed	
Total	$106,000,000
Separate accounts	$106,000,000
Minimum separate account	$150,000
Tax-exempt clients	296
Types of accounts managed	CE
No. of portfolio managers	4

Swanson Capital Management is an active equity, short-term and aggressive balanced account manager.

Its equity approach has a top-down, sector emphasis and is momentum-growth oriented. Its fixed-income approach is based on interest rate anticipation, using government debt only. The approach is based on historical valuation and cycle analysis.

The asset mix Jan. 1 was 38% equities, 50% bonds and 12% cash.

Steven M. Appledorn is chief investment officer; Peter J. Lane is client contact.

Systematic Financial Management Inc.

2 Executive Drive, Fort Lee, N.J.
07024; (201) 585-9290

Total assets managed	$109,000,000
Tax-exempt assets managed	
Total	$109,000,000
Commingled	$260,000
Separate accounts	$108,500,000
Minimum separate account	$500,000
Tax-exempt clients	
Commingled	2
Separate	116
Types of accounts managed	CFJ
No. of portfolio managers	2
Size of research staff	1

Systematic Financial Management Inc. is an active equity and balanced manager.

Its primary equity approach is quantitative and value-oriented. It builds broadly diversified portfolios of companies that have superior "free" cash flow characteristics and whose assets are undervalued by the marketplace. Its fixed-income approach uses credit analysis and cash flow analysis in a quantitative approach to add value to balanced accounts. Interest rate anticipation is used.

The asset mix Jan. 1 was 78% equities, 7% bonds and 15% cash.

Kenneth S. Hackel, president, is chief investment officer; Jason J. Wallach, executive vice president, is client contact.

T

T.A.L. Investment Counsel

55 University Ave., Suite 605, Toronto,
Ontario M5J 2H7; (416) 364-5620

Total assets managed	$3,200,000,000
Tax-exempt assets managed	
Total	$2,600,000,000
Pooled accounts	$26,000,000
Separate accounts	$2,574,000,000
For subsidiaries of U.S. firms	$443,000,000
Equity real estate assets	$29,000,000
Mortgage assets	$23,000,000
Mortgage-backed assets	$5,000,000
Minimum separate account	$10,000,000
Tax-exempt clients	
Pooled	5
Separate	100
U.S. subsidiaries	18
Types of accounts managed	CEFGU
No. of portfolio managers	11
Size of research staff	3

T.A.L. Investment Counsel Ltd., a Canadian firm, is an active equity, active fixed-income, balanced, tactical asset allocation, real estate and short-term manager.

Its disciplined, long-term value-oriented equity approach is based on company research through private management interviews with more than 100 Canadian companies. It focuses on superior strategic management. The fixed-income strategy emphasizes sector spread trading and identifying undervalued securities. Duration is constrained around a predetermined benchmark.

The firm uses the services of Penreal Development of Canada as specialty real estate managers.

The asset mix Jan. 1 was 29% Canadian stocks, 10% U.S. stocks, 41% bonds, 18% cash, 1% equity real estate and 1% mortgages.

Jean-Guy Desjardins is president and chief investment officer; John P. Carswell, vice president, is client contact in Toronto; Sam Reda, vice president, is client contact in Montreal at (514) 875-7040.

Tallasi Management Co. Inc.

1 Battery Park Plaza, New York, N.Y.
10004; (212) 248-3090

Total assets managed	$304,000,000
Tax-exempt assets managed	
Total	$239,000,000
Separate accounts	$239,000,000
401(k)/457 assets managed	$1,000,000
No. of 401(k)/457 plans	1
Minimum separate account	$3,000,000
Tax-exempt clients	22
Types of accounts managed	CEF
No. of portfolio managers	3

Tallasi Management Co. Inc. is an active equity and balanced manager.

Its equity approach uses low p/e stocks and sector rotation. The fixed-income component of balanced accounts is passive.

The asset mix Jan. 1 was 84% stocks, 1% bonds and 15% cash.

Clients include Williams Cos., Insilco, Wickes and Boy Scouts.

Rodney Mitchell is chief investment officer; Victor J. Raskin is client contact.

Taplin, Canida & Habacht

1177 Kane Concourse, Bay Harbor,
Fla. 33154; (305) 861-1177

Total assets managed	$85,000,000
Tax-exempt assets managed	
Total	$20,000,000
Separate accounts	$20,000,000
Minimum separate account	$1,000,000
Tax-exempt clients	6
Types of accounts managed	CFGJ
No. of portfolio managers	3

Taplin, Canida & Habacht Inc. is an active equity, active fixed-income and balanced manager.

Its equity approach is value oriented, using a blend of quantitative tools and qualitative research. Using strict criteria, the firm seeks companies undervalued on an asset or earnings valuation basis.

Its primary fixed-income approach focuses on high-quality issues with maturities ranging from an average of six to 12 years. Interest rate anticipation and sector analysis are used.

The asset mix Jan. 1 was 55% equities, 40% bonds and 5% cash.

Alan M. Habacht is chief investment officer; Teresa Alvarez-Canida is client contact.

Target Investors Inc.

Wilton Executive Campus, 15 River
Road, Wilton, Conn. 06897; (203)
761-9600

Total assets managed	$200,000,000
Tax-exempt assets managed	
Total	$200,000,000
Pooled accounts	$19,000,000
Separate accounts	$181,000,000
Minimum separate account	$5,000,000
Tax-exempt clients	
Pooled	1
Separate	5
Types of accounts managed	CG
No. of portfolio managers	2

Target Investors Inc., an active equity manager, invests in small to midsize growth companies having relatively low p/es, strong balance sheets and positive earnings surprise potential.

The asset mix Jan. 1 was 97% equities and 3% cash.

Clients include Allied Signal, City of Dallas, Champion International and Los Angeles Fire & Police.

Robert Zuccaro, president, is chief investment officer; Mary Jane Boyle, vice president, is client contact.

TEL Advisors Inc. of Virginia

2333 Old Ivy Road, Charlottesville, Va.
22901; (804) 977-4407

Total assets managed	$3,000,000
Tax-exempt assets managed	
Total	$500,000
Separate accounts	$500,000
Minimum separate account	$250,000
Tax-exempt clients	4
Types of accounts managed	C
No. of portfolio managers	1

TEL Advisors Inc. of Virginia, an active equity and balanced manager, seeks out valid growth stocks — those with a rising dividend growth stream historically and prospective favorable fundamental developments. Options are used.

The asset mix Jan. 1 was 50% equities, 5% cash and 45% convertibles, master limited partnerships, Americus Trust certificates and REITs.

Theodore E. Loud, president, is chief investment officer and client contact.

Templeton International

500 E. Broward Blvd., Suite 2100, Fort
Lauderdale, Fla. 33301; (305)
764-7390

Total assets managed	$2,530,000,000
Tax-exempt assets managed	
Total	$2,347,000,000
Separate accounts	$2,347,000,000
Global equity assets	$2,042,000,000
Global fixed-income assets	$70,000,000
Global cash assets	$235,000,000
Minimum separate account	$10,000,000
Tax-exempt clients	54
Types of accounts managed	CEFG
No. of portfolio managers	10
Size of research staff	8

Templeton International is an active global manager.

Its primary equity approach is bottom-up with relative value determined by a five-year projection of intrinsic worth. Graham & Dodd analysis is used.

Its primary fixed-income approach uses interest rate anticipation and sector analysis. The approach is similar to its equity process, with some attention to interest rates and currency. Emphasis is always on quality.

The asset mix Jan. 1 was 87% equities, 3% bonds and 10% cash.

The firm follows 200 stocks closely and 750, generally; 50% of research is generated internally.

The parent is Templeton, Galbraith & Hansberger Ltd.

John M. Templeton is chief investment officer; James R. Wood, senior vice president, is client contact.

Texas American Investment Management

500 Throckmorton, Fort Worth, Texas
76113; (817) 884-4439

Total assets managed	$2,800,000,000
Tax-exempt assets managed	$580,000,000
401(k)/457 assets managed	$25,000,000
No. of 401(k)/457 plans	7
Equity real estate assets	$58,000,000
Minimum separate account	$1,000,000
Tax-exempt clients	194
Types of accounts managed	CEFJ
No. of portfolio managers	5
Size of research staff	1

Texas American Investment Management is an active equity, passive fixed-income, balanced and real estate manager.

Its equity approach is based on a long-term philosophy fundamental in nature but still oriented toward growth through high-value investments. Its fixed-income approach seeks maximum income and preservation of principal through diversified investments in intermediate-term securities.

Its real estate approach is to invest in high-quality income-producing properties offering competitive cash returns and significant potential for appreciation.

The asset mix Jan. 1 was 40% stocks, 35% bonds, 15% cash and 10% equity real estate.

The parent is Texas American Bancshares.

Harold Achziger, president, is chief investment officer; Gary C. Nelson, senior vice president, is client contact.

Pensions & Investment Age **will profile real estate investment advisers in the Oct. 2 issue.**

Texas Commerce Investment Management

600 Travis, Houston, Texas 77007;
(713) 236-4109

See entry for THE CHEMICAL INVESTMENT GROUP.

Thompson, Siegel & Walmsley Inc.

5000 Monument Ave., Richmond, Va.
23230; (804) 353-4500

Total assets managed	$2,525,000,000
Tax-exempt assets managed	
Total	$2,261,000,000
Separate accounts	$2,261,000,000
401(k)/457 assets managed	$1,901,000,000
No. of 401(k)/457 plans	116
Minimum separate account	$5,000,000
Tax-exempt clients	138
Types of accounts managed	CEFGJ
No. of portfolio managers	6
Size of research staff	18

Thompson, Siegel & Walmsley Inc. is an active equity, active fixed-income, balanced and short-term manager.

It follows a conservative, risk-averse, value-oriented equity approach incorporating economic top-down analysis, valuation and fundamental security analysis and asset allocation tools as building block disciplines in a highly structured decision-making process.

Its fixed-income approach is also conservative and risk-averse, incorporating economic top-down analysis, fundamental credit analysis and sector spread analysis. Average maturities range from four to 12 years through the cycle. Quality is emphasized.

The asset mix Jan. 1 was 52% equities, 38% bonds and 10% cash.

The parent is United Asset Management.

The chief investment officers are Matthew Thompson, John Siegel and S. Pierce Walmsley, managing directors, and Horace Whitworth II, Paul Ferwerda and Michael J. Dugan, vice presidents. Mr. Thompson is client contact.

Thompson, Unger & Plumb

4610 University Ave., Madison, Wis.
53705; (608) 231-1676

Total assets managed	$141,000,000
Tax-exempt assets managed	
Total	$76,000,000
Separate accounts	$76,000,000
Minimum separate account	$1,000,000
Tax-exempt clients	99
Types of accounts managed	CEFJ
No. of portfolio managers	3

Thompson, Unger & Plumb Inc. is an active equity, active fixed-income and balanced manager.

Its equity approach involves buying midsize growth companies at or near S&P 500 p/e levels and holding them until the fundamentals weaken or until the p/e reaches an overvalued level.

Its fixed-income approach uses interest rate anticipation for longer-term trends.

The asset mix Jan. 1 was 51% equities, 30% bonds and 19% cash.

Raymond F. Unger, principal, is chief investment officer; Thomas G. Plumb, principal, is client contact.

Thorson, Brown & Plunkett

.3 Arch St., Greenwich, Conn. 06830;
(203) 661-0666

Total assets managed	$278,000,000
Tax-exempt assets managed	
Total	$62,000,000
Separate accounts	$62,000,000
Minimum separate account	$5,000,000
Tax-exempt clients	31
Types of accounts managed	CF
No. of portfolio managers	4

Thorson, Brown & Plunkett Inc., an active equity and balanced manager, is theme-oriented. The firm emphasizes growth investments with a bias toward small and midsize companies and companies that tend to be underowned institutionally. It focuses on identifying emerging trends, with capital concentrated in sectors and companies that will benefit.

Its fixed-income approach is based on interest rate anticipation.

The asset mix Jan. 1 was 41% equities, 32% bonds and 27% cash.

Petr A. Thorson and John H. Plunkett, managing directors, are chief investment officers; Pegeen M. Burgess, vice president, is client contact.

Todd Investment Advisors
3160 First National Tower, Louisville,
Ky. 40202; (502) 585-3121

Total assets managed	$2,805,000,000
Tax-exempt assets managed:	
Total	$2,753,000,000
Separate accounts	$2,753,000,000
401(k)/457 assets managed	$42,000,000
No. of 401(k)/457 plans	6
Fixed-income indexed assets	$223,000,000
Dedicated/immunized assets	$63,000,000
Minimum separate account	$5,000,000
Tax-exempt clients	40
Types of accounts managed	CEFGJ
No. of portfolio managers	4

Todd Investment Advisors is an active equity, active and passive fixed-income, balanced and short-term manager.

Its equity approach is conservative, with a strong capital-preservation bent focusing on low-beta, large-cap and high-yield stocks. It uses aggressive shifts between sectors and industry groups. Valuation studies determine asset allocation, while quantitative measures control buying and selling.

Its primary fixed-income approach uses an enhanced bond index strategy offering close tracking of the selected benchmark with meaningful return enhancements.

Options and financial futures are used.

The asset mix Jan. 1 was 22% equities, 64% bonds and 14% cash.

The firm follows 100 stocks closely and 450, generally; 60% of research is generated internally.

C. Prewitt Lane, executive vice president, is client contact.

Toronto Investment Management
26 Wellington St. E., Suite 900,
Toronto, Ontario M5E 1S2; (416)
865-0731

See entry for AMI ASSET MANAGEMENT INTERNATIONAL INC.

Townsend Asset Management Co. Inc.
45 Essex St., Hackensack, N.J.
07601; (201) 646-1511

Total assets managed	$27,000,000
Tax-exempt assets managed:	
Total	$2,000,000
Separate accounts	$2,000,000
Minimum separate account	$50,000
Tax-exempt clients	9
Types of accounts managed	CF
No. of portfolio managers	1

Townsend Asset Management Co. Inc. is an active equity, passive fixed-income, balanced, short-term and convertibles manager.

Its equity approach is to purchase shares of small companies with below-average financial leverage relative to peer industry companies when available at prices less than their intrinsic, private worth. Graham & Dodd analysis is used. For fixed-income, interest rate bets are tightly controlled.

The asset mix Jan. 1 was 50% equities, 20% bonds, 20% cash and 10% convertibles.

James W. Townsend is chief investment officer and client contact.

Trafalgar Capital Management
Suite 401, 277 Lakeshore Road E.,
Oakville, Ontario L6J 1H9; (416)
842-5310

Total assets managed	$706,000,000
Tax-exempt assets managed:	
Total	$706,000,000
Pooled accounts	$189,000,000
Separate accounts	$517,000,000
For subsidiaries of U.S. firms	$500,000,000
Equity real estate assets	$132,000,000
Non-North American equities	$47,000,000
Equity indexed assets	$98,000,000
Fixed-income indexed assets	$230,000,000
Minimum separate account	$20,000,000
Tax-exempt clients:	
Pooled	26
Separate	9
U.S. subsidiaries	3
Types of accounts managed	CGU
No. of portfolio managers	6
Size of research staff	2

Trafalgar Capital Management, a Canadian firm, is an active and passive equity, active and passive fixed-income, balanced, tactical asset allocation, real estate, passive international equity, short-term and currency hedging manager. Quantitative methods are used in its investment approaches.

In real estate, it creates value through development or rehabilitation.

The asset mix Jan. 1 was 11% Canadian stocks, 18% U.S. stocks, 43% bonds, 2% cash, 7% international equities and 19% equity real estate.

Tristram S. Lett, president, is chief investment officer and client contact.

Transamerica Investment Services Inc.
1150 S. Olive St., Los Angeles, Calif.
90015; (213) 742-3553

Total assets managed	$15,043,000,000
Tax-exempt assets managed:	
Total	$6,671,000,000
Equity real estate assets	$44,000,000
Mortgage assets	$532,000,000
International equity assets	$120,000,000
International fixed-income assets	$707,000,000
International cash assets	$59,000,000
Equity indexed assets	$58,000,000
Types of accounts managed	C
No. of portfolio managers	11
Size of research staff	7

Transamerica Investment Services Inc. is an equity, fixed-income and GIC manager.

The asset mix Jan. 1 was 4% stocks, 82% bonds, 7% cash, 1% equity real estate and 6% mortgages. Mortgage figures include $51 million in Canadian mortgages.

The parent is Transamerica Corp.

Gary U. Rolle, executive vice president, is chief investment officer; Susan A. Silbert, senior vice president, is the client contact.

Trascott, Alyson, Craig Inc.
222 Cedar Lane, P.O. Box 278,
Teaneck, N.J. 07666; (201)
836-9000

Total assets managed	$25,000,000
Tax-exempt assets managed:	
Total	$12,000,000
Separate accounts	$12,000,000
Minimum separate account	$250,000
Tax-exempt clients	14
Types of accounts managed	C
No. of portfolio managers	2

Trascott, Alyson, Craig Inc. is an active equity, active fixed-income and balanced manager.

Its equity approach is contrarian and uses Graham & Dodd analysis. Its fixed-income approach is based on interest rate anticipation, generally maintaining short duration. Options are used occasionally.

The asset mix Jan. 1 was 30% equities, 30% bonds and 40% cash.

The firm follows 100 stocks closely and 200, generally; 75% of research is generated internally.

Tracy Shagin, vice president, is chief investment officer and client contact.

The Travelers Cos.
1 Tower Square, 7MS, Hartford, Conn.
06183; (203) 277-0111

Total assets managed	$52,695,000,000
Total discretionary assets	$47,500,000,000
Tax-exempt assets managed:	
Total	$24,936,000,000
Pooled accounts	$4,147,000,000
Separate accounts	$64,000,000
GICs	$9,559,000,000
Annuities	$3,396,000,000
Other	$7,770,000,000
Equity real estate assets	$325,000,000
Mortgage assets	$79,000,000
Mortgage-backed assets	$75,000,000
International equity assets	$144,000,000
International fixed-income assets	$24,000,000
International cash assets	$31,000,000
Equity indexed assets	$238,000,000
Fixed-income indexed assets	$25,000,000
Dedicated/immunized assets	$7,000,000
Minimum separate account	$5,000,000
Tax-exempt clients:	
Pooled	1,500
Separate	3
Types of accounts managed	CEFJG

The Travelers Cos. is an active and passive equity, active and passive fixed-income, balanced, tactical asset allocation, real estate, active and passive international/global equity, passive international/global fixed-income, short-term, options and futures, direct placement, timberland, portfolio insurance and GIC manager.

Separate account equity management is provided through subsidiaries Dillon, Read Capital, Travelers Investment Management and Keystone Investment Management. Fixed-income management is provided through subsidiaries Travelers Keystone and Travelers Cos.' securities department.

The subsidiaries manage some of the commingled funds for the parent that are included in the data above. Assets listed for the subsidiaries, which are profiled separately, do not include these commingled assets.

Its real estate approach is to maintain objectives through 100% ownership, all-cash investments and an emphasis on high cash-yielding properties.

Options and financial futures are used.

The insurer follows 250 stocks closely and 1,500, generally; 25% of research is generated internally.

Portfolio insurance is provided to three clients and covers $18 million in assets.

The parent is The Travelers Corp.

Richard Shima is chief investment officer; Thomas Willison, vice president, is client contact.

Travelers Asset Management International
1 Tower Square — 10PB, Hartford,
Conn. 06183-2030; (203) 954-0766

Total assets managed	$525,000,000
Tax-exempt assets managed	$0
Minimum separate account	$2,000,000
No. of portfolio managers	6
Size of research staff	10

Travelers Asset Management International Corp. offers asset/liability management for insurance companies and has extensive experience in the management of captive insurance company and specialty insurance assets.

In addition to assets above, the firm manages $25 million in a commingled fund for its parent, The Travelers Corp.

Anne Melissa Dowling, vice president and chief investment officer, is client contact.

Travelers Investment Management Co.
90 State House Square, Suite 1200,
Hartford, Conn. 06103; (203)
277-5841

Total assets managed	$1,314,000,000
Tax-exempt assets managed:	
Total	$396,000,000
Separate accounts	$396,000,000
Fixed-income indexed assets	$85,000,000
Minimum separate account	$10,000,000
Tax-exempt clients	6
Types of accounts managed	CEGJ
No. of portfolio managers	6

Travelers Investment Management Co. is an active and passive equity, passive fixed-income, tactical asset allocation, passive international equity and derivative-based hedging strategics manager.

The firm offers domestic and international equity indexing strategies through its risk management group and value equity active management through its equity group.

The firm manages a bond index fund that is designed to track the Salomon Broad Investment Grade Index. Options and financial futures are used.

In addition to the assets above, the firm manages $800 million in commingled accounts for Travelers Insurance.

The asset mix Jan. 1 was 72% stocks, 21% bonds and 7% cash.

Portfolio insurance is provided to five clients and covers $30 million in assets.

Clients include Bell Atlantic, Ameritech and Nippon Life.

The parent is Travelers Corp.

David M. Dunford is president and chief investment officer; Phillip Leonardi, manager of business development, is client contact.

Travelers Keystone Fixed Income Advisers
1 Tower Square — 7MS, Hartford,
Conn. 06183; (203) 277-0111

Total assets managed	$121,000,000
Tax-exempt assets managed:	
Total	$121,000,000
Separate accounts	$121,000,000
Minimum separate account	$5,000,000
Tax-exempt clients	7
Types of accounts managed	CGJ
No. of portfolio managers	7
Size of research staff	4

Travelers Keystone Fixed Income Advisers is a high-grade and high-yield bond manager, emphasizing interest rate anticipation with a secondary focus on return enhancement through quality and sector swaps and credit analysis. Fixed-income futures are used. Dedicated and South Africa-free portfolios are offered.

The asset mix Jan. 1 was 90% bonds and 10% cash.

In addition to the assets above, the firm manages $296 million in commingled funds for its parent, The Travelers Corp.

Tom Drumm, executive vice president, is chief investment officer; Tom Willison is client contact.

Trendstat Capital Management Inc.
10733 Sunset Office Drive, Suite 355,
St. Louis, Mo. 63127-1072; (314)
822-3500

Total assets managed	$40,000,000
Tax-exempt assets managed:	
Total	$18,000,000
Separate accounts	$18,000,000
Minimum separate account	$100,000
Tax-exempt clients	44
Types of accounts managed	CEFG
No. of portfolio managers	1
Size of research staff	1

Trendstat Capital Management Inc. is an active equity, active fixed-income, balanced and tactical asset allocation manager.

Its equity approach is based on emerging growth and low p/e stocks, using econometric models and reducing risk through market timing, statistical screens, stop-losses and options/futures hedging. Its fixed-income approach uses econometric models of long-term bonds and interest rates to reduce risk and time the market. Options and financial futures are used.

The asset mix Jan. 1 was 50% stocks, 2% bonds and 48% cash.

Portfolio insurance is provided to eight clients and covers $3 million.

Thomas F. Basso, president, is chief investment officer and client contact.

Trevor Stewart Burton & Jacobsen Inc.
90 Park Ave., New York, N.Y. 10016;
(212) 972-8150

Total assets managed	$400,000,000
Tax-exempt assets managed:	
Total	$300,000,000
Separate accounts	$300,000,000
Minimum separate account	$2,000,000
Tax-exempt clients	40
Types of accounts managed	CEF
No. of portfolio managers	3

Trevor Stewart Burton & Jacobsen Inc., an asset allocator, also manages equity and fixed-income portfolios.

The asset mix Jan. 1 was 25% equity, 70% bonds and 5% cash.

The firm follows 50 stocks closely and 400, generally; 10% of research is generated internally.

Clients include Fluor, Duke Endowment, New York Stock Exchange Foundation and Fred S. James & Co.

Paul W.H. Trevor is chairman and chief investment officer; Karl E. Schoeller, executive vice president, is client contact.

Triangle Portfolio Associates
500 Grant St., Suite 4105, Pittsburgh,
Pa. 15258; (412) 234-7567

Total assets managed	$64,000,000
Tax-exempt assets managed:	
Total	$64,000,000
Separate accounts	$64,000,000
Minimum separate account	$7,500,000
Tax-exempt clients	4
Types of accounts managed	CJ
No. of portfolio managers	2
Size of research staff	1

Triangle Portfolio Associates, an equity manager, takes an active and quantitative approach using systematic factor methods. Portfolios are constructed to provide superior performance by maximizing exposure to mispriced segments of the market.

All assets were in equities Jan. 1.

The parent is Mellon Bank Corp.

Clients include Babcock Industries, National Telephone Cooperative Association, IBEW and Mellon Bank Corp.

Aruna S. Ramamurti, president, is chief investment officer; Nancy E. Diggins, senior vice president, is client contact.

Trident Investment Management Inc.
888 S. West St., Anaheim, Calif.
92802; (800) 255-2124 or (714)
999-6811

Total assets managed	$106,000,000
Tax-exempt assets managed:	
Total	$53,000,000
Pooled accounts	$10,000,000
Separate accounts	$43,000,000
401(k)/457 assets managed	$1,000,000
No. of 401(k)/457 plans	1
Minimum separate account	$500,000
Tax-exempt clients:	
Pooled	90
Separate	20
Types of accounts managed	CFGJ
No. of portfolio managers	1
Size of research staff	1

Trident Investment Management Inc. is an active equity, active fixed-income, balanced, short-term and preferred stock manager.

Its equity approach uses a disciplined process to select high-quality stocks with a p/e less than the S&P average. Options are used.

Fixed-income portfolios use only high-quality governments and A+ corporates. Interest rate anticipation, yield curve analysis and computer modeling of short-term price movements are used. Real estate is offered through Trident-Meyer Real Estate Advisors.

The asset mix Jan. 1 was 35% equities, 55% bonds and 10% cash.

The parent is Pacific Inland Bancorp.

Sidney Hansen is president and chief investment officer; Susan Quackenbush, director of marketing, is client contact.

Trident/Meyer Real Estate Advisors
222 S. Harbor Ave., Suite 700,
Anaheim, Calif. 92805; (714)
778-8425

Total assets managed	$215,000,000
Tax-exempt assets managed:	
Total	$215,000,000
Pooled accounts	$72,000,000
Separate accounts	$143,000,000
Equity real estate assets	$171,000,000
Mortgage assets	$44,000,000
Minimum separate account	$15,000,000
Tax-exempt clients:	
Pooled	1
Separate	2
Types of accounts managed	J

Trident/Meyer Real Estate Advisors, a real estate manager, underwrites cash flow and recommends property acquisition based upon current tenants and future leasing. It adds value through intensive management and concentrates on transactions in the $5 million to $25 million range. Properties include retail, industrial/warehouse, multifamily residential and office.

The asset mix Jan. 1 was 79.5% equity real estate and 20.5% equity-oriented mortgages.

Richard Hille, chief operating officer, is chief investment officer; Keith Jewell, vice president, and S.Q. Della-Grotta, senior vice president, are client contacts.

Trinity Advisors Corp.
600 N. Pearl, Suite 350 LB142, Dallas,
Texas 75201; (214) 871-1601

Total assets managed	$66,000,000
Tax-exempt assets managed:	
Total	$66,000,000
Separate accounts	$66,000,000

Key to abbreviations

C: Corporate
E: Educational endowment
F: Private foundation
G: U.S. state/local gov't
J: Jointly trusteed
P: Canadian provincial gov't
U: Unions (Canadians only)

Equity real estate assets	$66,000,000
Minimum separate account	$5,000,000
Tax-exempt clients	2
Types of accounts managed	C
No. of portfolio managers	2

Trinity Advisors Corp., a real estate manager, emphasizes experienced acquisition and portfolio management of strategically located investment-quality real property exhibiting above-average income and value growth potential.

All assets Jan. 1. were in equity real estate.

Mark D. Wentz III is chief investment officer and client contact.

Trinity Capital Advisors Inc.

2710 One First Union Center, 301 S.
College St., Charlotte, N.C.
28202-6021; (704) 358-9020

Total assets managed	$85,000,000
Tax-exempt assets managed	$0
Minimum separate account	$1,000,000
No. of portfolio managers	2
Size of research staff	1

Trinity Capital Advisors Inc. is an active and passive fixed-income, tactical asset allocation and short-term manager.

The firm segregates each account into three sectors: cash, core and total return. Using both fundamental and technical analysis, the firm manages funds to achieve capital stability, liquidity and yield maximization. Options and fixed-income futures are used.

David M. Ralston, principal, is chief investment officer; Mr. Ralston and Mark W. Whalen, principal, are client contacts.

Trinity Investment Management Corp.

1 Memorial Drive, 12th Floor,
Cambridge, Mass. 02142; (617)
621-1717

Total assets managed	$4,812,000,000
Tax-exempt assets managed	
Total	$4,744,000,000
Separate accounts	$4,744,000,000
401(k)/457 assets managed	$4,000,000
No. of 401(k)/457 plans	1
Minimum separate account	$10,000,000
Tax-exempt clients	96
Types of accounts managed	CEFGJ
No. of portfolio managers	16
Size of research staff	11

Trinity Investment Management Corp. is an active equity and balanced manager.

Its primary equity approach is value-oriented and quantitative. Portfolio buys and sells are selected primarily by a composite ranking of eight proven submodels such as Graham & Dodd, Cashflow Plowback and Dividend Discount.

The fixed-income portion of the balanced account is composed of U.S. Treasury notes laddered out over five years.

The asset mix Jan. 1 was 97.8% equities, 0.3% bonds and 1.9% cash.

The firm follows 960 stocks closely and 960, generally; all research is generated internally.

Clients include NYNEX, The Common Fund, Commonwealth of Pennsylvania and Milwaukee Building Trades.

Stanford Calderwood, chairman and chief executive officer, is chief investment officer and client contact.

Trusco Capital Management

50 Hurt Plaza, Suite 1400, Atlanta, Ga.
30342; (404) 586-6450

Total assets managed	$4,000,000,000
Tax-exempt assets managed:	
Total	$4,000,000,000
Separate accounts	$4,000,000,000
401(k)/457 assets managed	$380,000,000
No. of 401(k)/457 plans	15
Minimum separate account	$5,000,000
Tax-exempt clients	200
Types of accounts managed	CFG
No. of portfolio managers	12
Size of research staff	6

Trusco Capital Management Inc. is an active equity, active fixed-income, balanced and short-term manager.

Its primary equity approach is bottom-up, screening a large universe of stocks for investment based on valuation levels and earnings trends.

Its primary fixed-income approach adds value by identifying and acting upon opportunity and risk. Yield curve analysis, sector swaps and arbitrage activity is used.

The asset mix Jan. 1 was 48% stocks, 37% bonds and 15% cash.

The firm follows 250 stocks closely and 1,800, generally; 75% of research is generated internally.

The parent is Trust Company Bank.

Clients include Southern Systems, Genuine Parts, Emory University and Coca-Cola.

Douglas S. Phillips, president, is chief investment officer; Paul L. Robertson III and Bob M. Farmer, vice presidents, and John T. Hoyle, associate, are client contacts.

Trust Co. of the West

400 S. Hope St., Los Angeles, Calif.
90071; (213) 683-4000

Total assets managed	$13,785,000,000
Tax-exempt assets managed	
Total	[illegible]075,000,000
Commingled accounts	[illegible]000,000
Separate accounts	[illegible]3,000,000
Real estate equity assets	$2,513,000,000
International equity assets	$517,000,000
Dedicated/immunized assets	$116,000,000
Minimum separate account	$20,000,000
Tax-exempt clients:	
Commingled	241
Separate	91
Types of accounts managed	CEFGJ
No. of portfolio managers	20
Size of research staff	23

Trust Co. of the West is an active equity, active and passive fixed-income, balanced, real estate, active international/global equity, short-term, convertibles, oil and gas, private placements and bankrupt securities manager.

Its equity approach employs sector rotation, using top-down analysis with the goal of identifying changes before they are generally perceived and shifting between asset categories and industries to take advantage of change. Its fixed-income approach uses interest rate anticipation and is top-down with a goal to catch cyclical shifts in interest rates. Options are used.

In real estate, equity investments are made in existing properties, forward commitments and convertible mortgages in office, industrial and retail property types in targeted metropolitan areas nationwide.

The asset mix Jan. 1 was 37% equities, 19% bonds, 1% cash, 20% equity real estate and 23% convertibles, oil and gas, private placements and bankrupt securities.

Ernest O. Ellison, co-chief executive officer, is chief investment officer; Thomas E. Larkin Jr., president, is client contact.

Trustcorp Bank, Ann Arbor

100 S. Main St., P.O. Box 8612, Ann
Arbor, Mich. 48107-8612; (313)
994-5555

Total assets managed	$548,000,000
Tax-exempt assets managed:	
Total	$160,000,000
Commingled accounts	$61,000,000
Separate accounts	$99,000,000
401(k)/457 assets managed	$1,000,000
No. of 401(k)/457 plans	6
Real estate equity assets	$1,000,000
Mortgage assets	$2,000,000
International equity assets	$3,000,000
Minimum separate account	$250,000
Tax-exempt clients:	
Commingled	145
Separate	296
Types of accounts managed	CEF
No. of portfolio managers	3
Size of research staff	1

Trustcorp Bank, Ann Arbor, is an active equity, active fixed-income, balanced, real estate, active international equity and short-term manager.

Its primary equity approach is price/valuation driven. The universe is fundamentally screened for companies with a unique product/service/market position that allows sustainable earnings growth over three to five years.

In fixed-income, the bank selects high-quality bonds with maturities based on economic outlook and projected interest rate changes. The primary emphasis is high current return, with principal preservation. Yield spreads dictate the type of bond.

Its real estate approach is to select equity-oriented vehicles that will provide consistent total return and inflation protection, with reduced volatility. Emphasis is on diversification by location, property type and management style.

The asset mix Jan. 1 was 42% stocks, 36% bonds, 20% cash, 1% equity real estate and 1% mortgages.

The parent is Trustcorp Inc.

Edward H. Sichler III, senior vice president-trust and investments, is chief investment officer; Richard Meyerson, vice president-trust and investments, is client contact.

Trustcorp Bank, Ohio

3 SeaGate, Toledo, Ohio 43603; (419)
259-8645

Total assets managed	$3,967,000,000
Tax-exempt assets managed:	
Total	$500,000,000
Commingled accounts	$221,000,000
Separate accounts	$279,000,000
401(k)/457 assets managed	$46,000,000
No. of 401(k)/457 plans	45
Mortgage assets	$7,000,000
International equity assets	$6,000,000
International fixed-income assets	$6,000,000
Minimum separate account	$1,000,000
Tax-exempt clients:	
Commingled	677
Separate	677
Types of accounts managed	CEFGJ
No. of portfolio managers	12

Trustcorp Bank, Ohio, is an active and passive equity, active and passive fixed-income, balanced, active international equity, active international fixed-income and short-term manager.

Its primary equity approach is growth stock and quantitative-oriented. Its fixed-income approach uses interest rate anticipation, concentrating on high current income and intermediate maturities.

The asset mix Jan. 1 was 50% stocks, 45% bonds and 5% cash.

The parent is Trustcorp Inc.

F. Michael Bercher, senior trust investment officer, is chief investment officer; Julie B. Higgins, senior vice president, is client contact.

Trustcorp Bank, South Bend

202 S. Michigan St., South Bend, Ind.
46624; (219) 237-5305

Total assets managed	$289,000,000
Tax-exempt assets managed:	
Total	$98,000,000
Commingled accounts	$22,000,000
Separate accounts	$76,000,000
Minimum separate account	$500,000
Tax-exempt clients:	
Commingled	68
Separate	295
Types of accounts managed	CEFJ
No. of portfolio managers	3

Trustcorp Bank, South Bend, is an active equity, active and passive fixed-income, balanced and short-term manager.

Its equity approach is based on earnings stability, earnings momentum, management skill and financial strength. Options are used.

Its fixed-income approach uses interest rate anticipation, with management based on yield curve analysis, projected return curve analysis and spread analysis.

The asset mix Jan. 1 was 16% stocks, 51% bonds, 28% cash and 5% insurance and miscellaneous.

The parent is Trustcorp Inc.

James L. Lothary, vice president, is chief investment officer; Rebecca Z. Zawalich, vice president-employee benefits, is client contact.

TSA Capital Management

700 Wilshire Blvd., Los Angeles, Calif.
90017; (213) 614-7225

Total assets managed	$3,120,000,000
Tax-exempt assets managed:	
Total	$3,108,000,000
Pooled accounts	$53,000,000
Separate accounts	$3,055,000,000
Minimum separate account	$20,000,000
Tax-exempt clients:	
Pooled	1
Separate	34
Types of accounts managed	CEFG
No. of portfolio managers	7
Size of research staff	3

TSA Capital Management is an active equity, balanced, tactical asset allocation and short-term manager.

Its primary equity approach is disciplined and pragmatic. A number of proprietary quantitative disciplines are used for security valuation and for measurement of risk levels. Options and financial futures are used when using the firms' asset allocation discipline.

The firm follows 300 stocks closely and 1,000, generally; all research is generated internally.

The parent is Trust Services of America.

Clients include 3M, California Public Employees, Dayton Hudson and International Paper.

Roger Clarke is chief investment officer and managing director; Richard Boling, managing director, is client contact.

Tukman Capital Management

60 E. Sir Francis Drake Blvd.,
Larkspur, Calif. 94939; (415)
461-6833

Total assets managed	$350,000,000
Tax-exempt assets managed:	
Total	$300,000,000
Separate accounts	$300,000,000
Minimum separate account	$5,000,000
Tax-exempt clients	25
Types of accounts managed	CEFG
No. of portfolio managers	2

Tukman Capital Management, an active equity manager, is value-oriented, focusing on highly profitable, cash-generating companies purchased at moderate p/e ratios.

The asset mix Jan. 1 was 90% stocks and 10% cash.

The firm follows 40 stocks closely and 100, generally; all research is generated internally.

Clients include Stanford University, USAir, San Diego Gas & Electric and University of Washington.

Melvin T. Tukman, president, is chief investment officer; Daniel L. Grossman, vice president, is client contact.

Tyndall-Newport Management

601 California St., Suite 610, San
Francisco, Calif. 94108; (415)
781-5801

Total assets managed	$75,000,000
Tax-exempt assets managed	$0
Minimum separate account	$5,000,000
No. of portfolio managers	2

Tyndall-Newport Management, formerly Newport Pacific Management, is an active equity, active fixed-income, balanced and active global equity manager.

Its equity approach combines growth and emerging growth stocks and market timing. It invests globally, specializing in small to midsize companies in the Pacific Basin.

Its fixed-income approach uses interest rate anticipation.

The parent is Tyndall Holdings PLC.

John M. Mussey, president, is chief investment officer and client contact.

U

UBS Phillips & Drew International Investment

Triton Court, 14 Finsbury Square,
London, EC2A 1PD U.K.;
01-588-7114

Total assets managed	$37,000,000
Tax-exempt assets managed:	
Total	$4,000,000
Separate accounts	$4,000,000
International equity assets	$4,000,000
Minimum separate account	$5,000,000
Tax-exempt clients	1
Types of accounts managed	F
No. of portfolio managers	6
Size of research staff	35

UBS Phillips & Drew International Investment is an active international manager.

Its value-oriented equity approach is based on fundamental analysis of macroeconomic and company-specific factors, focusing on stocks selling at below-market valuations with sound or improving fundamentals and strong growth potential. Its primary fixed-income approach is based on identifying currencies that are competitive, have high yields, low inflation and sound economic and monetary policies. Options and fixed-income futures are used.

The asset mix Jan. 1 was 93% foreign equities and 7% foreign cash.

The parent is Union Bank of Switzerland.

James P. McCaughan is president and chief investment officer; George M. Jamgochian, senior vice president, is client contact at (212) 319-2009.

Union Bank

530 B St., P.O. Box 109, San Diego,
Calif. 92112; (619) 230-3303

Total assets managed	$2,303,000,000
Tax-exempt assets managed:	
Total	$922,000,000
Commingled accounts	$769,000,000
Separate accounts	$153,000,000
Real estate equity assets	$13,000,000
Mortgage assets	$2,000,000
International equity assets	$10,000,000
Equity indexed assets	$13,000,000
Dedicated/immunized assets	$11,000,000
Minimum separate account	$1,000,000
Tax-exempt clients:	
Commingled	1,01
Separate	8
Types of accounts managed	C
No. of portfolio managers	
Size of research staff	

Union Bank, formerly California First Bank, whose figures reflect its merger with Union Bank, is an equity, fixed-income, balanced, real estate, international equity and GIC manager.

Its primary equity approach is passive and value-oriented. Its style is a combination of economically driven top-down methods enhanced by established and anticipated earnings momentum coupled with relative valuation. Its fixed-income approach is an economically driven, top-down style that forecasts major trends in inflation, growth and interest rates. The average maturity is adjusted to reflect its economic outlook. Options are used.

Kenneth Sanders, vice president and manager, is chief investment officer; Piet Westerbeek III, vice president-marketing, is client contact.

Union Capital Management

1100 Poydras St., Suite 1850, New
Orleans, La. 70163; (504) 585-7320

Total assets managed	$33,000,000
Tax-exempt assets managed:	
Total	$33,000,000
Separate accounts	$33,000,000
Mortgage-backed assets	$19,000,000
Minimum separate account	$1,000,000
Tax-exempt clients	2
Types of accounts managed	G
No. of portfolio managers	1

Union Capital Management, a passive fixed-income manager, uses a stratified sampling that provides the most efficient method of replicating bond market returns. Limited emphasis is placed on interest rate forecasts.

The asset mix Jan. 1 was 33% bonds, 10% cash and 57% mortgage-backed securities.

Clients are the Iberia Parish School Board and St. John the Baptist School Board.

Kenneth J. Canepa, president, is chief investment officer and client contact.

The Union Labor Life Insurance Co.

111 Massachusetts Ave. N.W.,
Washington, D.C. 20001; (202)
682-0900

Total assets managed	$1,890,000,000
Total discretionary assets	$1,662,000,000
Tax-exempt assets managed:	
Total	$1,662,000,000
Pooled accounts	$719,000,000
GICs	$459,000,000
Other	$484,000,000
Mortgage assets	$449,000,000
Mortgage-backed assets	$45,000,000
Minimum separate account	$5,000,000
Tax-exempt clients:	
Pooled	464
Types of accounts managed	CGJ
No. of portfolio managers	7
Size of research staff	8

The Union Labor Life Insurance Co. is an active equity, active fixed-income, balanced and short-term manager.

Its primary equity approach is value-oriented to identify low-beta, out-of-favor and special situation stocks. It is a contrarian and total return manager.

Its fixed-income approach is value-oriented within the market sectors of its separate accounts. Interest rate anticipation is limited to 25% of assets.

Its mortgage Separate Account J invests in long-term first mortgages on commercial properties. About 23% of the portfolio has some form of participation in rent in addition to the coupon rate of interest.

The separate account asset mix Jan. 1 was 11.4% equities, 17.2% bonds, 2% cash, 36.7% mortgages, 2.7% mortgage-backed securities, 27.8% GICs and 2.2% U.S. Treasuries.

The parent is ULLICO Inc.

Herbert C. Canapary, vice president-investments, is chief investment officer; John E. Stephan, director-group sales/marketing, is client contact.

United Capital Management

1700 Broadway, Suite 1300, Denver,
Colo. 80274; (303) 831-9474

Total assets managed	$3,458,000,000
Tax-exempt assets managed:	
Total	$3,306,000,000
Pooled accounts	$79,000,000
Separate accounts	$3,227,000,000
Minimum separate equity account	$20,000,000
Minimum separate bond account	$10,000,000
Tax-exempt clients:	
Pooled	1
Separate	26
Types of accounts managed	CFGJ
No. of portfolio managers	4
Size of research staff	2

United Capital Management is an active equity, active fixed-income and balanced manager.

It is a contrarian/value equity investor, seeking price-depressed, out-of-favor stocks that have major rebound potential over three years. A strict sell discipline is followed.

Its primary fixed-income approach is active and long-term, focusing on major changes in interest rate trends. Business cycle analysis provides the framework for the rate outlook.

The asset mix Jan. 1 was 84% stocks, 11% bonds and 5% cash.

The firm follows 80 stocks closely and 120, generally.

The parent is United Bank of Denver National Association.

Clients include AT&T, Laborers National Pension Fund, General Public Utilities and Ralston Purina.

W. Lon Schreur, president, is chief investment officer; Denise Bryant, vice president, is client contact.

United Investment Counsel

210 Newbury St., Boston, Mass.
02116; (617) 267-8855

Total assets managed	$350,000,000
Tax-exempt assets managed:	
Total	$350,000,000
Separate accounts	$350,000,000
Minimum separate account	$300,000
Tax-exempt clients	375
Types of accounts managed	CEFG
No. of portfolio managers	10
Size of research staff	10

United Investment Counsel is an active equity, active fixed-income, balanced and short-term managers.

Its primary equity approach uses Graham & Dodd analysis, focusing on growth and emerging growth stocks. The firm recommends a diversified portfolio of attractive securities in line with client objectives. Its primary fixed-income approach uses interest rate anticipation.

The asset mix Jan. 1 was 70% stocks, 20% bonds and 10% cash.

The firm follows 250 stocks closely and 700, generally; 80% of research is generated internally.

The parent is Babson United Investment Advisors Inc.

Donald G. Parsons, president, is chief investment officer; Cassie M. Grant, senior vice president, is client contact.

United Jersey Bank

223 Moore St., Hackensack, N.J.
07602; (201) 646-5230

Total assets managed	$1,200,000,000
Tax-exempt assets managed:	
Total	$475,000,000
Pooled accounts	$130,000,000
Separate accounts	$345,000,000
401(k)/457 assets managed	$45,000,000
No. of 401(k)/457 plans	6
Minimum separate account	$250,000
Tax-exempt clients:	
Pooled	150
Separate	192
Types of accounts managed	CEFJ
No. of portfolio managers	13

United Jersey Bank is an active equity, active fixed-income, balanced and short-term manager.

Its equity approach uses low p/e stocks, and may vary the capitalization stressed over long cycles. Sector rotation is used, with each portfolio manager having equity research/sector responsibility. Its fixed-income approach uses interest rate anticipation and sector analysis. Investment-grade securities are used as alternatives to Treasuries on a relative basis.

The asset mix Jan. 1 was 42% stocks, 50% bonds and 8% cash.

The parent is United Jersey Banks.

John W. Gustafson, senior vice president, is chief investment officer; Cosimo D. Andrea, vice president, is client contact.

United Missouri Investment Counsel Service

P O. Box 419226, Kansas City, Mo.
64141-6226; (816) 556-7341

Total assets managed	$4,492,000,000
Tax-exempt assets managed:	
Total	$3,154,000,000
Pooled accounts	$257,000,000
Separate accounts	$2,897,000,000
Equity real estate assets	$3,000,000
Mortgage assets	$87,000,000
Mortgage-backed assets	$254,000,000
Minimum separate account	$500,000
Tax-exempt clients:	
Pooled	220
Separate	125
Types of accounts managed	CEFGJ
No. of portfolio managers	14
Size of research staff	5

United Missouri Investment Counsel Service is an active and passive equity, passive domestic and international fixed-income, balanced, and short-term manager.

Its equity approach focuses on companies that have exhibited above-average unit sales growth and pricing flexibilities and that maintain strong balance sheet characteristics.

Its fixed-income approach emphasizes maturity shifts based on the interest rate outlook. Key forecasting tools are related to manufacturing operating rates.

The asset mix Jan. 1 was 20% stocks, 42% bonds, 26% cash, 3% mortgages and 9% mortgage-backed securities.

The parent is United Missouri Bank.

Stuart L. Murdock, executive vice president and senior investment officer, is chief investment officer; David B. Anderson, senior vice president and investment officer, is client contact.

United of Omaha

Mutual of Omaha Plaza, Omaha, Neb.
68175; (402) 978-5138

Total assets managed	$3,542,000,000
Total discretionary assets	$1,450,000,000
Tax-exempt assets managed:	
Total	$1,450,000,000
Pooled accounts	$9,000,000
GICs	$799,000,000
Annuities	$295,000,000
Other	$347,000,000
401(k)/457 assets managed	$140,000,000
No. of 401(k)/457 plans	65
Tax-exempt clients:	
Pooled	12
Types of accounts managed	CGJ
No. of portfolio managers	5
Size of research staff	11

United of Omaha is an active equity and passive fixed-income manager.

Its equity approach focuses on investment in established companies with strong earnings growth records. Its fixed-income approach controls interest rate risk through duration matching, and credit risk through extensive credit analysis.

All separate account assets were in stocks Jan. 1.

The insurer follows 20 stocks closely and 40, generally; 20% of research is generated internally.

The parent is Mutual of Omaha Insurance Co.

John Maginn, executive vice president-investments, is chief investment officer; John Fischer, assistant vice president-group pensions, is client contact.

United States Trust Co. of Boston

40 Court St., Boston, Mass. 02108;
(617) 726-7250

Total assets managed	$1,280,000,000
Tax-exempt assets managed:	
Total	$700,000,000
Commingled accounts	$110,000,000
Separate accounts	$590,000,000
401(k)/457 assets managed	$25,000,000
No. of 401(k)/457 plans	5
Minimum separate account	$5,000,000
Tax-exempt clients:	
Commingled	100
Separate	100
Types of accounts managed	CEFGJ
No. of portfolio managers	8

United States Trust Co. of Boston is an active equity, balanced and short-term manager.

Its primary equity philosophy combines a top-down approach to sector allocation and a value-oriented approach to stock selection. Its primary fixed-income approach uses interest rate anticipation.

The asset mix Jan. 1 was 48% stocks, 35% bonds and 17% cash.

Clients include Massachusetts Carpenters and Harvard Community Health.

The parent is UST Corp.

Domenic Colasacco is chief investment officer; James McPartland, vice president, is client contact.

U.S. Trust Co. of California

555 S. Flower St., Suite 2700, Los
Angeles, Calif. 90071; (213)
488-4002

Total assets managed	$488,000,000
Tax-exempt assets managed:	
Total	$161,000,000
Separate accounts	$161,000,000
401(k)/457 assets managed	$7,000,000
No. of 401(k)/457 plans	2
Minimum separate account	$1,000,000
Tax-exempt clients	37
Types of accounts managed	CF
No. of portfolio managers	5
Size of research staff	3

U.S. Trust Co. of California is an active fixed-income, short-term and balanced manager.

Its equity approach is based on sector rotation, concentrating in sectors responding to current market themes and undergoing substantial price revaluation. Its fixed-income approach is based on interest rate anticipation and emphasizes maturity selection, credit analysis and use of undervalued or overlooked opportunities.

The asset mix Jan. 1 was 31% stocks, 61% bonds and 8% cash.

The parent is U.S. Trust Corp.

Robert M. Raney, managing director, is chief investment officer; Mark K. Talt, vice president, is client contact.

United States National Bank of Galveston

P.O. Box 179, Galveston, Texas
77553; (409) 763-1151

Total assets managed	$450,000,000
Tax-exempt assets managed:	
Total	$220,000,000
Commingled accounts	$43,000,000
Separate accounts	$177,000,000
401(k)/457 assets managed	$5,000,000
No. of 401(k)/457 plans	2
Minimum separate account	$1,000,000
Tax-exempt clients:	
Commingled	190
Separate	136
Types of accounts managed	CEF
No. of portfolio managers	1

United States National Bank of Galveston is an active equity, active fixed-income, balanced and short-term manager.

A long-term investor, the bank uses a value-oriented equity approach. It seeks issues allowing considerable downside risk protection by providing comparatively high-dividend yields and low p/e multiples. Its fixed-income approach uses interest rate anticipation and sector analysis. Options are used.

The asset mix Jan. 1 was 70% stocks, 5% bonds and 25% cash.

The parent is Cullen/Frost Bankers Inc.

Harris L. Kempner Jr. is chief investment officer; Freddie B. Meier, senior vice president, is client contact.

United States National Bank In Johnstown

Main & Franklin Streets, Johnstown,
Pa. 15901; (814) 533-5397

Total assets managed	$111,000,000
Tax-exempt assets managed:	
Total	$61,000,000
Separate accounts	$61,000,000
Mortgage assets	$1,000,000
Mortgage-backed assets	$7,000,000
Minimum separate account	$1,000,000
Tax-exempt clients	63
Types of accounts managed	CFGJ
No. of portfolio managers	1
Size of research staff	2

United States National Bank in Johnstown is an active and passive equity, active and passive fixed-income, balanced and short-term manager.

Its primary equity approach uses a bottom-up method emphasizing individual stock selection based upon a fundamental value orientation. Its fixed-income approach emphasizes laddering maturities within sector diversification.

The asset mix Jan. 1 was 8% stocks, 65% bonds, 11% cash, 2% mortgages, 11% mortgage-backed securities and 3% limited partnerships and venture capital.

The parent is USBancorp.

Judith A. Duchene is chief investment officer; John H. McGrail, senior vice president and senior trust officer, is client contact.

United States Trust Co. of New York

45 Wall St., New York, N.Y. 10005;
(212) 806-4500

Total assets managed*	$14,037,000,000
Tax-exempt assets managed	$2,507,000,000

*1988 figures

United States Trust Co. of New York is an equity, fixed-income, balanced, real estate and global/international manager.

Its equity approach is to buy and hold assets that have demonstrated value in terms of underlying resources and assets or earnings potential, and are favorably priced.

Economic analysis, both domestic and international, is the most critical factor in its fixed-income approach. Yield curve analysis plays a vital role in selection and maturity. Credit analysis and changing yield spread relationships affect quality and sector distribution decisions. Options are used.

Its real estate approach consists of buying pre-development land for cash. The holding period averages five years.

The parent company is United States Trust Co.

Frederick B. Taylor, chairman-investment policy, is chief investment officer.

United Trust Fund

4770 Biscayne Blvd., Miami, Fla.
33137; (305) 576-7711

Total assets managed	$280,000,000
Tax-exempt assets managed	$0
No. of portfolio managers	8
Size of research staff	3

United Trust Fund is a fixed-income and real estate manager.

Its fixed-income approach is passive, taking long-term, fixed-rate securities or other credit instruments and making continuous investment without regard to market timing in a flat-rate market. In an escalating market, it will go short and roll. Fixed-income futures are used.

Its real estate approach is guaranteed return through credit leases.

James Nolan is chief investment officer and client contact.

Unity Management Inc.

2001 Marcus Ave., Lake Success,
N.Y. 11042; (516) 437-2200

Total assets managed	$550,000,000
Tax-exempt assets managed:	
Total	$550,000,000
Separate accounts	$550,000,000
Minimum separate account	$1,000,000
Tax-exempt clients	65
Types of accounts managed	CGJ
No. of portfolio managers	7
Size of research staff	3

Unity Management Inc. is an active equity, active fixed-income and balanced manager.

Its equity approach combines growth and low p/e stocks, and market timing. In-house computer systems and traditional research sources are used for fundamental and technical analysis.

Its fixed-income approach is established through conventional and computer-generated interest rate forecasts. Bond swapping and immunization programs are used for restructuring asset allocations.

The asset mix Jan. 1 was 30% stocks, 35% bonds and 35% cash.

The firm follows 250 stocks closely and 2,000, generally; 75% of research is generated internally.

Irving Decter is chief investment officer.

Kenneth Decter is client contact.

UNUM Life Insurance

2211 Congress St., Portland, Maine
04122; (207) 770-3765

Total assets managed	$7,391,000,000
Total discretionary assets	$7,391,000,000
Tax-exempt assets managed:	
Total	$4,095,000,000
Separate accounts	$56,000,000
GICs	$1,311,000,000
Annuities	$88,000,000
Other	$2,640,000,000
401(k)/457 assets managed	$112,000,000
No. of 401(k)/457 plans	300
Equity real estate assets	$19,000,000
Mortgage assets	$1,267,000,000
Tax-exempt clients:	
Separate	1
Types of accounts managed	C
No. of portfolio managers	4
Size of research staff	20

UNUM Life Insurance is an active equity, passive fixed-income, balanced, real estate, short-term and GIC manager.

Its equity approach focuses on growth industries augmented by interest rate and inflation-hedged stocks. Its primary fixed-income approach uses sector analysis and is oriented toward private placements and commercial mortgages.

Options and fixed-income futures are used.

The separate account asset mix Jan. 1 was 75% stocks and 25% cash.

The insurer follows 50 stocks closely and 50, generally; 50% of research is generated internally.

Peter J. Moynihan, senior vice president, is chief investment officer; Bruce Gordon, vice president-group pension marketing, is client contact.

V

VALIC

2929 Allen Parkway, Houston, Texas
77019; (713) 831-5066

Total assets managed	$8,632,000,000
Tax-exempt assets managed:	
Total	$8,431,000,000
Pooled accounts	$7,909,000,000
Separate accounts	$522,000,000
401(k)/457 assets managed	$201,000,000
No. of 401(k)/457 plans	558
Mortgage assets	$1,618,000,000
Mortgage-backed assets	$1,750,000,000
Equity indexed assets	$13,000,000
Types of accounts managed	CEFG
No. of portfolio managers	4
Size of research staff	7

VALIC is a passive equity, passive fixed-income, balanced, tactical asset and short term manager.

It has four equity funds: a growth stock fund that uses sector rotation on large-cap stocks; an emerging growth fund; a market timing fund; and an index fund. In fixed-income, average maturity and duration are adjusted in response to the interest rate outlook. Options and financial futures are used.

The asset mix Jan. 1 was 6% stocks, 54% bonds, 18% mortgages, 20% mortgage-backed securities and 2% policy loans.

VALIC follows 110 stocks closely and 180, generally; 75% of research is generated internally.

The parent is American General Corp.

Clients include Shriners Hospitals, Daughters of Charity National Health Systems, Premier Alliance and Chicago Teachers Union.

Norman Jaskol, senior vice president-investments, is chief investment officer; Conway Shaw, second vice president-group marketing, is client contact.

Valley Bank of Nevada Trust Division

P.O. Box 98555, Las Vegas, Nev.
89193-8555; (702) 654-7071

Total assets managed	$1,700,000,000
Tax-exempt assets managed:	
Total	$97,000,000
Separate accounts	$97,000,000
401(k)/457 assets managed	$3,000,000
No. of 401(k)/457 plans	4
Minimum separate account	$150,000
Tax-exempt clients	700
Types of accounts managed	EFG
No. of portfolio managers	3
Size of research staff	3

Valley Bank of Nevada Trust Division is a passive equity, passive fixed-income, balanced, tactical asset allocation and short-term manager.

Using proprietary market indicators, the bank determines what allocation to have and when to implement that allocation. For the fixed-income allocation, issues are chosen based on interest rate anticipation and yield curve analysis, and usually are held until maturity.

The asset mix Jan. 1 was 15% stocks, 47% bonds and 38% cash.

The parent is Valley Capital Corp.

Blayne Ence, assistant vice president/manager-investments, is chief investment officer and client contact.

Valley Capital Management

P.O. Box 71, Phoenix, Ariz. 85001;
(602) 261-1118

Total assets managed	$2,525,000,000
Tax-exempt assets managed:	
Total	$594,000,000
Separate accounts	$594,000,000
401(k)/457 assets managed	$116,000,000
No. of 401(k)/457 plans	27
Equity real estate assets	$8,000,000
Mortgage assets	$223,000,000
Minimum separate account	$300,000
Tax-exempt clients	245
Types of accounts managed	CGJ
No. of portfolio managers	14
Size of research staff	3

Valley Capital Management, previously listed as Valley National Bank of Arizona, is an active equity, active fixed-income, balanced, real estate and short-term manager.

Its primary equity approach is value-oriented, focusing on growth companies positioned to benefit from long-term trends. Company fundamentals are analyzed through systematic relative valuation models. Options are used. Its primary fixed-income approach uses interest rate anticipation, with sector selection adding incremental return.

In real estate, it concentrates on Arizona-based commercial mortgages with adjustable interest rates, call provisions and equity participation.

The asset mix Jan. 1 was 14% equities, 20% bonds, 20% cash, 1% equity real estate, 37% mortgages and 8% miscellaneous.

The parent is Valley National Corp.

Lyle D. Wurtz, vice president and manager, is chief investment officer; Robert J. Golob, vice president and manager-institutional trust services, is client contact.

Value Line Inc.

711 Third Ave., New York, N.Y. 10017;
(212) 687-3965

Total assets managed	$1,210,000,000
Tax-exempt assets managed:	
Total	$1,210,000,000
Separate accounts	$1,210,000,000
Minimum separate account	$3,000,000
Tax-exempt clients	30
Types of accounts managed	CEG
No. of portfolio managers	14
Size of research staff	94

Value Line Inc. is an active equity, active fixed-income, balanced, short-term, mutual funds and tactical asset allocation manager.

Its primary equity approach focuses on growth and emerging growth stocks, using market timing/tactical asset allocation if required. The firm believes selective historical and current data can be used to predict relative price performance of the firm's 1,700 stock universe for the next six to 12 months.

In fixed-income, the broad economic outlook, including inflationary and interest rate trends, determines the maturity structure. U.S. government and agency issues are emphasized.

The asset mix Jan. 1 was 67.2% stocks, 7.3% bonds and 25.[illegible] cash.

Clients include GM, Ohio Police & Fire and Brunswick.

Sam Eisenstadt is chief investment officer; Victor Ugolyn is client contact.

Value Matrix Management

360 Madison Ave., 12th Floor, New
York, N.Y. 10017; (212) 907-0153

Total assets managed	$24,000,000
Tax-exempt assets managed:	
Total	$18,000,000
Separate accounts	$18,000,000
Minimum separate account	$250,000
Tax-exempt clients	5
Types of accounts managed	CE
No. of portfolio managers	3

Value Matrix Management is a Benjamin Graham value-oriented active equity manager. The firm uses six proprietary computer screens to identify securities selling at considerable discounts to their intrinsic worth, based on earnings, dividends, return on equity and book value.

The asset mix Jan. 1 was 90% equities and 10% cash.

David A. Katz, vice president, is chief investment officer and client contact.

Vanbrit Investment Management

1100 Melville St., Suite 620,
Vancouver, British Columbia V6E
4A6; (604) 687-1393

See entry for AMI ASSET MANAGEMENT INTERNATIONAL INC.

Van Cleef Jordan & Wood

230 Park Ave., Suite 910, New York,
N.Y. 10169; (212) 986-2600

Total assets managed	$200,000,000
Tax-exempt assets managed:	
Total	$100,000,000
Separate accounts	$100,000,000
401(k)/457 assets managed	$10,000,000
No. of 401(k)/457 plans	5
International equity assets	$5,000,000
International fixed-income assets	$5,000,000
Minimum separate account	$1,000,000
Tax-exempt clients	25
Types of accounts managed	CEJ
No. of portfolio managers	6
Size of research staff	2

Van Cleef Jordan & Wood Inc. is an active equity, active fixed-income, balanced and tactical asset allocation manager.

The firm uses a very disciplined approach to equity investing, with emphasis on stable growth and low risk. It has a top-down/bottom-up and value orientation, coupled with industry/sector rotation. Its fixed-income management consists of shifting duration, maturity, sector rotation and anticipation of quality upgrades and downgrades.

The asset mix Jan. 1 was 35% equity, 50% bonds and 15% cash.

Richard F.F. Nichols Jr. is chief investment officer and client contact.

Van Deventer & Hoch

420 N. Brand Blvd., Suite 405,
Glendale, Calif. 91203; (818)
247-5330 or (213) 245-7461

Total assets managed	$1,112,000,000
Tax-exempt assets managed:	
Total	$549,000,000
Separate accounts	$549,000,000
Minimum separate account	$200,000
Tax-exempt clients	684
Types of accounts managed	CEFGJ
No. of portfolio managers	24
Size of research staff	6

Van Deventer & Hoch, a balanced manager, takes a value-oriented approach to equities, investing in soundly managed businesses when available at a discount to true asset value.

Its fixed-income approach is passive. High-grade securities maturing in seven years or less are used for defensive purposes.

The asset mix Jan. 1 was 60% equities, 25% bonds and 15% cash.

The firm follows 200 stocks closely and 200, generally; 80% of research is generated internally.

The parent is Chemical Banking Corp.

Richard D. Trautwein, executive vice president, is chief investment officer; Timothy K. McCarthy, marketing director, is client contact.

Van Eck Associates Corp.

122 E. 42nd St., New York, N.Y.
10168; (212) 687-5200

Total assets managed	$1,212,000,000
Tax-exempt assets managed:	
Total	$101,000,000
Separate accounts	$101,000,000
Global equity assets	$51,000,000
Minimum separate global account	$10,000,000
Minimum separate gold account	$3,000,000
Tax-exempt clients	1
Types of accounts managed	C
No. of portfolio managers	4
Size of research staff	8

Van Eck Associates Corp. is a global balanced, equity, fixed-income, short-term and gold-related assets manager.

Macroeconomic trends determine equity asset allocation among countries (currencies) and industries. The firm emphasizes quality, liquidity and low volatility. In fixed-income, macroeconomic analysis sets interest rate and currency judgments. Low volatility and preservation of capital are achieved through use of government bonds, global diversification and hedging strategies. Interest rate anticipation is used.

Options and financial futures are used.

The asset mix Jan. 1 was 50% global gold mining shares and 50% gold bullion.

The parent is Van Eck Management Corp.

John C. Van Eck is chief investment officer/gold-related investments; Klaus Buescher is chief investment officer/global investments; Robin Erni, investment advisory representative, is client contact.

Vanguard Capital

263 Chapalita Drive, Encinitas, Calif.
92024; (619) 436-2456

Total assets managed	$4,000,000
Tax-exempt assets managed:	
Total	$4,000,000
Separate accounts	$4,000,000
401(k)/457 assets managed	$1,000,000
No. of 401(k)/457 plans	5
Minimum separate account	$250,000
Tax-exempt clients	125
Types of accounts managed	C
No. of portfolio managers	1

Vanguard Capital, formerly Guildcor Financial Inc., is an active equity, active fixed-income and active international equity manager.

It is a market timer, with equity investments emphasizing growth stocks and sector rotation, and fixed-income investments based on sector analysis.

E. James Welsh is chief investment officer and client contact.

The Vanguard Group of Investment Cos.

Vanguard Financial Center, Valley
Forge, Pa., 19482; (215) 648-6000

Total assets managed	$34,165,000,000
Internal, discretionary	$18,019,000,000
Assigned to other firms	$16,146,000,000
Tax-exempt assets managed:	
Total	$7,144,000,000
Internal, discretionary	$2,255,000,000
Assigned to other firms	$4,889,000,000
Minimum separate account	$10,000,000
Types of accounts managed	CEFJG

The Vanguard Group of Investment Cos. is an equity and fixed-income manager; additional equity and fixed-income and its balanced, real estate, international and GIC management is handled by external managers.

Vanguard has $34.2 billion in total assets; $18 billion is managed internally and $16.2 billion, externally. Of the total, $7.1 billion represents tax-exempt assets; $2.2 billion is managed internally and $4.9 billion, externally.

Equity approaches offered are passive, quantitative, growth, emerging growth and low p/e stocks. Graham & Dodd analysis is used. Fixed-income strategies are passive or based on sector analysis. Financial futures are used to hedge cash positions.

Real estate investments primarily are in existing, income-producing commercial properties.

The asset mix Jan. 1 was 8% equity, 22% bonds and 70% cash; $454 million was in foreign equity, $436 million was in equity indexed funds and $18 million was in bond index funds.

John C. Bogle, chief executive officer, is chief investment officer; Ronald L. Cannon, vice president-institutional marketing is client contact.

Van Kampen Merritt Investment Advisory Corp.

1001 Warrenville Road, Lisle, Ill.
60532; (312) 719-6243

Total assets managed	$21,000,000,000
Tax-exempt assets managed:	
Total	$1,200,000,000
Mortgage-backed assets	$360,000,000
Minimum separate account	$5,000,000
Types of accounts managed	CEFGJ
No. of portfolio managers	9
Size of research staff	9

Van Kampen Merritt Investment Advisory Corp., an active fixed-income and short-term manager, uses a disciplined, value-added style that limits dependence on interest rate anticipation, emphasizes duration matching, and searches for relative value among sectors and issues to outperform established or customized benchmarks. Extensive research enhances management of portfolios of Treasury, mortgage-backed, investment-grade and high-yield corporate, and municipal securities.

The asset mix Jan. 1 was 60% bonds, 10% cash and 30% mortgage-backed securities.

The parent is Xerox Financial Services.

Dennis J. McDonnell, president, is chief investment officer; John M. McCareins, vice president, is client contact.

Vaughan, Nelson, Scarborough & McConnell

6300 Texas Commerce Tower,
Houston, Texas 77002; (713)
224-2545

Total assets managed	$2,000,000,000
Tax-exempt assets managed	$1,400,000,000
Minimum separate account	$2,000,000
Tax-exempt clients	60
Types of accounts managed	CEFGJ
No. of portfolio managers	5

Vaughan, Nelson, Scarborough & McConnell Inc. is an active and passive equity, active and passive fixed-income and balanced manager.

Its primary equity approach emphasizes a "middle 60%" strategy to downside protection and stable growth using individual issue selection through original primary research, active asset allocation and proprietary valuation analysis.

Its fixed-income approach is driven by interest rate anticipation and sector analysis.

The asset mix Jan. 1 was 50% stocks, 30% bonds and 20% cash.

The firm follows 50 stocks closely and 200, generally; 75% of research is generated internally.

Clients include Trinity University, Daniel Industries, Texas A&M Foundation and Wortham Foundation.

Eugene H. Vaughan Jr., president, is chief investment officer; Allan J. Waldron is client contact.

Vengrowth Capital Fund

145 Wellington St. W., Suite 200,
Toronto, Ontario M5J 1H8; (416)
971-6656

See entry for AMI ASSET MANAGEMENT INTERNATIONAL INC.

Verus Capital

45 Broadway, New York, N.Y. 10006;
(212) 943-9200

Total assets managed	$260,000,000
Tax-exempt assets managed	$260,000,000
International equity assets	$25,000,000
Minimum separate account	$5,000,000
Tax-exempt clients	8
Types of accounts managed	C
No. of portfolio managers	3
Size of research staff	1

Verus Capital, an equity manager, looks for 20 to 30 special situations in the United States or abroad with unique fundamentals and attractive risk/reward valuation.

The firm follows 80 stocks closely and 500, generally; 60% of research is generated internally.

The parent is Arnhold & S. Bleichroeder Inc.

Clients include Allied Signal, ITT, BASF and Public Service Electric & Gas.

Charles C. Reilly, president, is chie investment officer; Frederic C. Reyn olds, vice president, is client contact.

Virginia Investment Counselors Inc.

1300 Crestar Bank Building, Norfolk,
Va. 23510; (804) 623-2491

Total assets managed	$454,000,00
Tax-exempt assets managed:	
Total	$190,000,00
Separate accounts	$190,000,00
401(k)/457 assets managed	$4,000,00
No. of 401(k)/457 plans	
Equity real estate assets	$4,000,00
Mortgage assets	$2,000,00
Mortgage-backed assets	$5,000,00
Minimum separate account	$250,00
Tax-exempt clients	21
Types of accounts managed	CEF
No. of portfolio managers	
Size of research staff	

Virginia Investment Counselors Inc is an active equity, active fixed-income and balanced manager.

Its equity approach seeks low p/ stocks through sector rotation an market timing under Graham & Dod principles. Its fixed-income approach combines interest rate anticipation an sector analysis. Options are used.

The asset mix Jan. 1 was 20% stocks, 60% bonds, 15% cash, 2% equity real estate, 1% mortgages and 2% mortgage-backed securities.

Frederick V. Martin, president, is chief investment officer; Henry Harris III, vice president, is client contact.

W

Waddell & Reed Asset Management Co.

2400 Pershing Road, Kansas City, Mo
64108; (816) 283-4093

Total assets managed	$1,414,000,00
Tax-exempt assets managed:	
Total	$822,000,00
Separate accounts	$822,000,00
Mortgage-backed assets	$77,000,00
Minimum separate account	$3,000,00
Tax-exempt clients	3
Types of accounts managed	CEF
No. of portfolio managers	1
Size of research staff	1

Waddell & Reed Asset Managemen Co. is an active equity, active fixed-income, balanced, active internationa equity and short-term manager.

Its primary equity approach uses asset allocation that is oriented t major market cycle changes. The degree of market participation is base on an analysis of price vs. intrinsi value relationships and the busines cycle. Its primary fixed-income approach is to alter duration based on th outlook for interest rates within a duration range of one to 6.5 years. Option are used.

The asset mix Jan. 1 was 45% stocks, 30% bonds and 25% cash.

The parent is Torchmark Corp.

Henry J. Herrmann is president an chief investment officer; Jackson L. Allen Jr., vice president-marketing, i client contact.

Wagner & Hamil Inc.

410 17th St., Suite 840, Denver, Colo.
80202; (303) 892-6928

Total assets managed	$31,000,00
Tax-exempt assets managed:	
Total	$5,000,00
Separate accounts	$5,000,00
401(k)/457 assets managed	$1,000,00
No. of 401(k)/457 plans	4
Minimum separate account	$250,00
Tax-exempt clients	
Types of accounts managed	C
No. of portfolio managers	
Size of research staff	

Wagner & Hamil Inc., an active equity, passive fixed-income, balance and short-term manager, uses Graham & Dodd analysis with an emphasis o growth stocks.

The asset mix Jan. 1 was 40% equities, 40% bonds and 20% cash.

The firm follows 50 stocks closel

and 200, generally; 60% of research is generated internally.

J.B. Wagner is chief investment officer; C.H. Henderson, president, is client contact.

Wagstaff, Lodefink & Associates

136 E. South Temple, Suite 1740, Salt Lake City, Utah 84111; (801) 532-2777

Total assets managed	$40,000,000
Tax-exempt assets managed	
Total	$30,000,000
Pooled accounts	$2,000,000
Separate accounts	$28,000,000
401(k)/457 assets managed	$2,000,000
No. of 401(k)/457 plans	4
Minimum separate account	$250,000
Tax-exempt clients	
Pooled	15
Separate	50
Types of accounts managed	CEFGJ
No. of portfolio managers	3
Size of research staff	4

Wagstaff, Lodefink & Associates is an active equity, active fixed-income, balanced, tactical asset allocation and short-term manager.

Its equity approach is value-oriented, using growth stocks and tactical asset allocation. Portfolios have p/es less than the market, yields similar to the market, low debt to total capital, growth rates higher than the S&P 500, and portfolio beta equal to the market.

Fixed-income is oriented toward high-quality instruments (Baa or higher), generally investing in Treasuries and agencies. Maturities are laddered with an average of eight to 10 years. Duration is adjusted in anticipation of interest rate changes.

The asset mix Jan. 1 was 62% equities, 33% bonds and 5% cash.

David L. Lodefink is chief investment officer; David J. Wagstaff is client contact.

Wall, Patterson, Hamilton & Allen Inc.

229 Peachtree St. N.E., Suite 900, Atlanta, Ga. 30303; (404) 659-6060

Total assets managed	$948,000,000
Tax-exempt assets managed	
Total	$878,000,000
Separate accounts	$878,000,000
Minimum separate account	$5,000,000
Tax-exempt clients	144
Types of accounts managed	CEFJG
No. of portfolio managers	6
Size of research staff	2

Wall, Patterson, Hamilton & Allen Inc. is an active equity and fixed-income and balanced manager.

Its equity approach is based on selecting superior growth companies from a pre-screened universe based on earnings and valuation criteria.

Its fixed-income approach is based on yield curve analysis, using only Treasury and agency securities.

The asset mix Jan. 1 was 53% equity, 41% bonds and 6% cash.

The parent is United Asset Management.

The firm follows 250 stocks closely; 75% of its research is generated internally.

Clients include Peoples Energy, Salvation Army, Michigan Carpenters and City of Tampa.

Roger H. Hamilton, president, is chief investment officer; William M. Robertson, executive vice president, is client contact.

Wall Street Associates

7863 Girard Ave., Suite 300, P.O. Box 8589, La Jolla, Calif. 92038-8589; (619) 454-3104

Total assets managed	$175,000,000
Tax-exempt assets managed:	
Total	$175,000,000
Separate accounts	$175,000,000
401(k)/457 assets managed	$15,000,000
No. of 401(k)/457 plans	2
Minimum separate account	$5,000,000
Tax-exempt clients	12
Types of accounts managed	CEG
No. of portfolio managers	2

Wall Street Associates, an active equity manager, uses a bottom-up selection process focusing on small-cap companies with strong fundamentals, rapidly accelerating earnings and attractive valuations. The firm concentrates on market inefficiencies.

The asset mix Jan. 1 was 97% equities and 3% cash.

William Jeffery III and Kenneth F. McCain, partners, are chief investment officers; John R. French, partner, is client contact.

Warburg Investment Management International

787 Seventh Ave., New York, N.Y. 10019; (212) 459-7147

Total assets managed	$1,923,000,000
Tax-exempt assets managed	
Total	$1,541,000,000
Pooled accounts	$180,000,000
Separate accounts	$1,361,000,000
International equity assets	$981,000,000
International fixed-income assets	$560,000,000
Minimum separate account	$10,000,000
Tax-exempt clients	
Pooled	7
Separate	24
Types of accounts managed	CEFGJ
No. of portfolio managers	8

Warburg Investment Management International Ltd. is an active international and global equity, fixed-income and balanced manager.

Its equity approach combines top-down and bottom-up fundamental analysis with stocks analyzed against a number of criteria, including earnings growth, management and product strength.

Its fixed-income approach is based on top-down fundamental analysis with currency and bond investment decisions taken separately.

The asset mix Jan. 1 was 64% equities and 36% bonds.

The parent is Mercury Asset Management PLC.

Clients include Sun, Hercules, City & County of San Francisco and ARCO.

R.P.B. Michaelson is chief investment officer; Colin Clark is client contact.

Warburg, Pincus Counsellors Inc.

466 Lexington Ave., New York, N.Y. 10017; (212) 878-0600

Total assets managed	$3,876,000,000
Tax-exempt assets managed	$1,385,000,000
Minimum separate account	$10,000,000
Tax-exempt clients	153
Types of accounts managed	CEFG
No. of portfolio managers	11
Size of research staff	6

Warburg, Pincus Counsellors Inc. is an active equity, active fixed-income, balanced and short-term manager.

Its equity approach seeks growth and emerging growth stocks based on in-house research; it focuses on financially strong, moderate-size companies with superior earnings prospects.

Its fixed-income approach implements interest rate anticipation strategies, focusing on intermediate maturity securities.

The asset mix Jan. 1 was 68% equities, 24% bonds and 8% cash.

The firm follows 240 stocks closely and 350, generally; 80% of research is generated internally.

The parent is E.M. Warburg, Pincus & Co. Inc.

Clients include Gates Rubber, Rockefeller Foundation, Long Island Railroad and Flagler Museum.

John L. Furth is chief investment officer; Richard H. Klemm, senior vice president, is client contact.

Ward & Wissner Capital Management

99 Park Ave., New York, N.Y. 10016; (212) 557-2077

Total assets managed	$765,000,000
Tax-exempt assets managed:	
Total	$765,000,000
Pooled accounts	$49,000,000
Separate accounts	$716,000,000
Mortgage-backed assets	$175,000,000
Dedicated/immunized assets	$765,000,000
Minimum separate account	$10,000,000
Tax-exempt clients:	
Pooled	1
Separate	10
Types of accounts managed	C
No. of portfolio managers	3
Size of research staff	2

Ward & Wissner Capital Management structures bond portfolios to achieve targeted plan objectives, either nominal or real rates of return and/or minimum return in the appreciation potential. Options and fixed-income futures are used.

The asset mix Jan. 1 was 60% bonds, 7% cash, 23% mortgage-backed securities and 10% futures and options.

Clients include Stone and Webster, Gates, Centel and Robertshaw.

Leonard H. Wissner, chairman, is chief investment officer and client contact.

Wardley Investment Services International Ltd.

5 E. 59th St., Suite 7000, New York, N.Y. 10022; (212) 415-0660

Total assets managed	$1,316,000,000
Tax-exempt assets managed	
Total	$86,000,000
Pooled accounts	$49,000,000
Separate accounts	$37,000,000
International equity assets	$79,000,000
International cash assets	$7,000,000
Minimum separate account	$5,000,000
Tax-exempt clients	
Pooled	2
Separate	3
Types of accounts managed	CG
No. of portfolio managers	8
Size of research staff	10

Wardley Investment Services International Ltd. is an active international equity, fixed-income, balanced and short-term manager.

The firm is a top-down fundamentalist. Country weightings are based on projected accelerating economic growth in the country; stock selection is based on relative accelerating earnings growth potential. Its fixed-income approach uses interest rate anticipation. Options are used.

The asset mix Jan. 1 was 91% international equities and 9% international cash.

The parent is Wardley Investment Services Ltd.

Ian R. Henderson is chief investment officer; Deborah G. George, executive vice president, is client contact.

David E. Ware & Associates

2300 N. Barrington Road, Suite 340, Hoffman Estates, Ill. 60195; (312) 490-9060

Total assets managed	$18,000,000
Tax-exempt assets managed	
Total	$6,000,000
Separate accounts	$6,000,000
Minimum separate account	$200,000
Tax-exempt clients	21
Types of accounts managed	CE
No. of portfolio managers	1
Size of research staff	2

David E. Ware & Associates Inc., a balanced manager, uses portfolio optimization techniques to establish a level of market risk for each client according to their risk attributes, and then create and maintain an optimum portfolio to consistently hold to that risk level. In equities, it uses closed-end stock funds.

The asset mix Jan. 1 was 32% equities, 57% bonds and 11% cash.

David E. Ware, president, is chief investment officer and client contact.

Washington Square Capital

512 Nicollet Mall, Minneapolis, Minn. 55402; (612) 342-3737

Total assets managed	$7,700,000,000
Total discretionary assets	$7,700,000,000
Tax-exempt assets managed:	
Total	$2,708,000,000
Pooled accounts	$6,000,000
Separate accounts	$70,000,000
GICs	$1,998,000,000
Other	$634,000,000
Minimum separate account	$10,000,000
Tax-exempt clients:	
Pooled	4
Separate	1
Types of accounts managed	CEFGJ
No. of portfolio managers	7
Size of research staff	26

Washington Square Capital is a GIC provider. Fixed-income management is offered through its subsidiary, Washington Square Advisors. Equity management is offered through a partnership with Hahn, Holland and Grossman.

Fixed-income portfolios are structured to meet client needs. Active management occurs across the credit spectrum in all appropriate vehicles. Options and fixed-income futures are used.

The separate account asset mix Jan. 1 was 1% stocks, 31% bonds, 3% cash, 4% equity real estate, 39% mortgages and 22% private placements. The GIC and general account pension-related products listed above are managed on behalf of its parent, Northwestern National Life Insurance Co.

Russell Swansen, executive vice president, is chief investment officer. Stephen Dillenburg, senior vice president-marketing, is client contact for fixed-income; Gary A. Smith, vice president-marketing, is client contact for GICs.

Webster Management Co.

20 Exchange Place, New York, N.Y. 10005; (212) 510-5352

Total assets managed	$5,616,000,000
Tax-exempt assets managed	
Total	$448,000,000
Pooled accounts	$5,000,000
Separate accounts	$443,000,000
401(k)/457 assets managed	$72,000,000
No. of 401(k)/457 plans	2
Minimum separate account	$10,000,000
Tax-exempt clients	
Pooled	8
Separate	56
Types of accounts managed	CEFGJ
No. of portfolio managers	5

Webster Management Co. is an active equity, balanced, tactical asset allocation, short-term and options overwriting manager.

The firm is a tactical asset allocator, using quantitative approaches applied to fundamental data. Equity asset allocation is determined using a proprietary dividend discount model and stocks are chosen to replicate the S&P 500. Fixed-income is passive, using financial futures and options.

In addition to the assets listed above, $650 million is managed in an options overwriting program for tax-exempt clients.

The asset mix Jan. 1 was 36% stocks, 41% bonds, and 23% cash.

Portfolio insurance is provided to eight clients and covers $5 million.

The parent is Kidder Peabody & Co. Inc.

James D. Taliaferro, president, is chief investment officer; William O. Melvin, director of investments, is client contact.

WEDGE Capital Management

2920 One First Union Center, Charlotte, N.C. 28202; (704) 334-6475

Total assets managed	$722,000,000
Tax-exempt assets managed	
Total	$562,000,000
Pooled accounts	$43,000,000
Separate accounts	$519,000,000
401(k)/457 assets managed	$40,000,000
No. of 401(k)/457 plans	8
Minimum separate account	$10,000,000
Tax-exempt clients:	
Pooled	4
Separate	90
Types of accounts managed	CEFGJ
No. of portfolio managers	4
Size of research staff	1

WEDGE Capital Management is an active equity, active fixed-income and balanced manager.

Its equity approach uses quantitative disciplines to evaluate a broad universe. Desired stocks will have improving earnings, good dividends and low p/e ratios. Its fixed-income approach uses quantitative disciplines to anticipate interest rate changes.

The asset mix Jan. 1 was 65% equities, 5% bonds and 30% cash.

Clients include L.L. Bean, Genesco, Food Lion and Southwire.

Richard X. Hodde, general partner, is chief investment officer; R. Michael James, general partner, is client contact.

Weiss, Peck & Greer

1 New York Plaza, New York, N.Y. 10004; (212) 908-9500

Total assets managed	$5,626,000,000
Tax-exempt assets managed:	
Total	$3,470,000,000
Separate accounts	$3,470,000,000
Minimum separate account	$5,000,000
Tax-exempt clients	103
Types of accounts managed	CEFGJ
No. of portfolio managers	16
Size of research staff	10

Weiss, Peck & Greer is an active equity, active fixed-income, balanced, short-term and mutual funds manager.

Its equity approach is flexible, characterized by a combination of top-down and bottom-up processes, overweighting particularly attractive sectors. In stock selection, the firm is value-driven, seeking companies with consistent earnings growth or with prospects of fundamental change in structure or regulation in its industry.

Its fixed-income approach stresses high-quality portfolios and a methodology that is neither indexation or market timing. Management is systematic and based on holding a constant level of portfolio duration, wherein market volatility makes a positive contribution to returns. Individual securities are value ranked based on proprietary models.

Options and financial futures are used.

The asset mix Jan. 1 was 43% stocks, 50% bonds and 7% cash.

Stephen H. Weiss, managing partner, is chief investment officer; Vincent E. Teti is client contact in New York; David J. Schilder is client contact in Chicago.

Wellington Management Co.

75 State St., Boston, Mass. 02109; (617) 951-5000

Total assets managed	$31,696,000,000
Tax-exempt assets managed	
Total	$9,500,000,000
Pooled accounts	$329,000,000
Separate accounts	$9,171,000,000
Equity real estate assets	$75,000,000
Mortgage-backed assets	$349,000,000
International equity assets	$314,000,000
International fixed-income assets	$6,000,000
International cash assets	$6,000,000
Tax-exempt clients	
Pooled	25
Separate	176
Types of accounts managed	CEFGJ
No. of portfolio managers	33
Size of research staff	44

Wellington Management Co., formerly Wellington Management Co./Thorndike, Doran, Paine & Lewis, offers active domestic and international equity and fixed-income management as well as real estate, balanced and short-term management.

Its equity approach offers a range of styles, each based primarily on intensive fundamental research. Its varied fixed-income approaches are based on in-depth fundamental credit research. Options and financial futures are used.

For real estate, it makes equity investments in residential, multifamily properties diversified geographically.

The asset mix Jan. 1 was 72% equities, 16% bonds, 7% cash, 1% equity real estate and 4% mortgage-backed securities.

Robert W. Doran is chief investment officer; Dena G. Willmore, senior vice president, is client contact.

Wells Fargo Investment Advisors

50 California St., 11th Floor, San Francisco, Calif. 94111; (415) 434-6000

Total assets managed	$57,066,000,000
Tax-exempt assets managed:	
Total	$57,066,000,000
Pooled accounts	$37,772,000,000
Separate accounts	$19,294,000,000
Mortgage-backed assets	$327,000,000
International equity assets	$2,320,000,000
International fixed-income assets	$85,000,000
Equity indexed assets	$34,372,000,000
Fixed-income indexed assets	$6,259,000,000
Dedicated/immunized assets	$1,751,000,000
Minimum separate account	$100,000,000
Tax-exempt clients:	
Pooled	217
Separate	52
Types of accounts managed	CEFJG
No. of portfolio managers	13
Size of research staff	3

Wells Fargo Investment Advisors is a passive equity and fixed-income, tactical asset allocation, passive international and short-term manager.

The firm offers index funds and index-based management. Each product shares the common characteristics of highly controlled investment outcomes at the lowest possible cost to the sponsor. Fixed-income index funds track the Shearson Lehman Hutton Government/Corporate and Salomon BIG indexes. Options and financial futures are used.

The asset mix Jan. 1 was 69% equity, 14% bonds, 16% cash and 1%

mortgage-backed securities.

Portfolio insurance is provided to three clients and covers $702 million.

The parent is Wells Fargo & Co.

Patricia C. Dunn, president, and Jeffrey L. Skelton, vice chairman, are co-chief investment officers; Michael J. Henman, senior vice president, is client contact.

Wells Fargo Realty Advisors

595 Market St., 15th Floor, San
Francisco, Calif. 94105-2824; (415)
477-5800

Total assets managed	$3,279,000,000
Tax-exempt assets managed	
Total	$812,000,000
Pooled accounts	$671,000,000
Separate accounts	$141,000,000
401(k)/457 assets managed	$46,000,000
No. of 401(k)/457 plans	7
Equity real estate assets	$476,000,000
Mortgage assets	$336,000,000
Minimum separate account	$100,000,000
Tax-exempt clients	
Pooled	150
Separate	1
Types of accounts managed	CG
No. of portfolio managers	2

Wells Fargo Realty Advisors, a real estate manager, seeks opportunities to create value through new property development and the expansion or renovation of existing properties.

The asset mix Jan. 1 was 59% equity real estate and 41% mortgages.

The parent is Wells Fargo & Co.

Clients include Avon, GM, Frank Russell Trust and Ohio Employees.

Doug Hayek, director of acquisitions, is chief investment officer, J. Michael Johnson, director of marketing, is client contact.

Wentworth, Hauser & Violich

333 Sacramento St., San Francisco,
Calif. 94111; (415) 981-6911

Total assets managed	$2,140,000,000
Tax-exempt assets managed	
Total	$1,857,000,000
Separate accounts	$1,857,000,000
Minimum separate account	$1,000,000
Tax-exempt clients	98
Types of accounts managed	CEFGJ
No. of portfolio managers	6
Size of research staff	2

Wentworth, Hauser & Violich is an active equity, active fixed-income, balanced and short-term manager.

Equity portfolio characteristics are p/es less than the S&P, 10-year dividend growth rates double the S&P and implied returns (yield plus plow back) 30% greater than the S&P.

Its fixed-income approach structures portfolios to take advantage of cyclical behavior of interest rates. Average maturity is less than five years.

The asset mix Jan. 1 was 27% equities, 69% bonds and 4% cash.

The firm follows 120 stocks closely and 480, generally; 50% of research is generated internally.

Clients include New Mexico Employees, Halliburton, Gates Rubber and Equitable Resources.

W. Kurt Hauser is chief investment officer; Bradford Hall is client contact.

Wertheim Asset Management Services Inc.

787 Seventh Ave., New York, N.Y.
10019; (212) 492-6475

Total assets managed	$805,000,000
Tax-exempt assets managed	
Total	$805,000,000
Separate accounts	$805,000,000
401(k)/457 assets managed	$49,000,000
No. of 401(k)/457 plans	3
Mortgage-backed assets	$121,000,000
Minimum separate account	$5,000,000
Tax-exempt clients	21
Types of accounts managed	CFGJ
No. of portfolio managers	4

Wertheim Asset Management Services Inc. is an active equity, active fixed-income, balanced and short-term manager.

For equities, the firm is a focused long-term relative value investor. Equities with superior long-term growth or earnings power characteristics are bought at the low end and sold at the high end of their historical valuation range. Its fixed-income approach emphasizes total return. Dependent on market cycle, valuation analysis and interest rate forecast, portfolios may either seek capital gains or seek high levels of income and price stability.

The asset mix Jan. 1 was 32% equities, 33% bonds, 20% cash and 15% mortgage-backed securities.

The parent is Wertheim Schroder & Co. Inc.

E. William Smethurst Jr. is chief investment officer; he and Jerome I. Kransdorf are client contacts.

West One Trust-West One Bank, Idaho

101 S. Capitol Blvd., Suite 905, Boise,
Idaho 83702; (208) 383-7252

Total assets managed	$1,000,000,000
Tax-exempt assets managed:	
Total	$400,000,000
Commingled accounts	$50,000,000
Separate accounts	$350,000,000
401(k)/457 assets managed	$35,000,000
No. of 401(k)/457 plans	80
Equity real estate assets	$20,000,000
Mortgage assets	$10,000,000
Mortgage-backed assets	$8,000,000
Equity indexed assets	$600,000
Fixed-income indexed assets	$500,000
Minimum separate account	$500,000
Tax-exempt clients:	
Commingled	225
Separate	33
Types of accounts managed	CEFG
No. of portfolio managers	5
Size of research staff	2

West One Trust-West One Bank, Idaho, formerly Idaho First National Bank, is an active equity, active fixed-income and balanced manager.

Its equity approach uses a value orientation toward stock selection that originates with a top-down economic overview. It prefers companies with low financial leverage, expanding earnings, below-market p/e and low price/book. Its fixed-income approach uses interest rate trends and forecasts generated from a fundamental view to set portfolio durations. Sector analysis is used to identify vehicles and add incremental returns.

The asset mix Jan. 1 was 40% stocks, 47% bonds, 5% cash, 5% equity real estate and 3% mortgages.

The parent is West One Bancorp.

Richard Vycital, vice president and manager of investments, is chief investment officer; John Hart, assistant vice president and manager of employee benefits investments, is client contact.

Western Asset Management

117 E. Colorado Blvd., Pasadena,
Calif. 91105; (818) 584-4300

Total assets managed	$5,519,000,000
Tax-exempt assets managed	
Total	$4,510,000,000
Separate accounts	$4,510,000,000
401(k)/457 assets managed	$355,000,000
No. of 401(k)/457 plans	2
Mortgage-backed assets	$1,579,000,000
Minimum separate account	$25,000,000
Tax-exempt clients	32
Types of accounts managed	CEFG
No. of portfolio managers	7
Size of research staff	2

Western Asset Management Co. is an active fixed-income, short-term and structured manager.

Its primary investment approach uses interest rate anticipation and sector analysis. Value is added primarily by sector rotation (both among and within sectors) and by issue selection. Risk is controlled by carefully and explicitly uniting portfolio interest rate exposure. Options are used.

The asset mix Jan. 1 was 60% bonds, 5% cash and 35% mortgage-backed securities.

The parent is Legg Mason Inc.

Clients include AT&T, ILGWU, Minnesota State Board and Hughes Aircraft.

W. Curtis Livingston is chief investment officer; Randolph L. Kohn, managing director, is client contact.

Western Reserve Capital Management Inc.

2001 Ross Ave., 44th Floor, Dallas,
Texas 75265-5003; (214) 979-7770

Total assets managed	$418,000,000
Tax-exempt assets managed:	
Total	$337,000,000
Pooled accounts	$337,000,000
International equity assets	$81,000,000
Tax-exempt clients	1
Types of accounts managed	C
No. of portfolio managers	4
Size of research staff	1

Western Reserve Capital Management Inc. is an active equity, active international equity and short-term manager.

It combines top-down and bottom-up approaches, focusing on emerging growth and growth companies. Options and stock index futures are used.

The asset mix Jan. 1 was 74% equities and 26% cash.

The firm follows 60 stocks closely and 200, generally; 60% of research is generated internally.

The parent is The LTV Corp., which is the firm's client.

Thomas Tull is chief investment officer and client contact.

Westwood Management

885 Third Ave., New York, N.Y.
10022-4802; (212) 688-2323

Total assets managed	$850,000,000
Tax-exempt assets managed:	
Total	$820,000,000
Pooled accounts	$130,000,000
Separate accounts	$690,000,000
401(k)/457 assets managed	$10,000,000
No. of 401(k)/457 plans	1
Minimum separate account	$25,000,000
Tax-exempt clients:	
Pooled	5
Separate	24
Types of accounts managed	CEFG
No. of portfolio managers	3
Size of research staff	3

Westwood Management Corp., an active equity manager, is a top-down, active asset allocator using cash, bonds and options and stock index futures in addition to stocks. The firm emphasizes principal preservation in down markets and selects stocks through a process geared to identifying earnings surprises.

The asset mix Jan. 1 was 78% equities and 22% cash.

Clients include Lockheed, Weirton Steel, Champion International and Xerox.

Susan M. Byrne, president, is chief investment officer; David W. Jennings, executive vice president, is client contact.

Wilkens & Nanovic Associates

35 Mason St., Greenwich, Conn.
06830; (203) 622-1040

Total assets managed	$447,000,000
Tax-exempt assets managed	
Total	$447,000,000
Separate accounts	$447,000,000
Minimum separate account	$15,000,000
Tax-exempt clients	2
Types of accounts managed	C
No. of portfolio managers	2

Wilkens & Nanovic Associates is an active, risk-averse, core equity manager focusing on identifying fundamental changes within companies whose stocks at purchase exhibit limited downside risk. Portfolios are diversified; cash reserves may reach 50%.

The asset mix Jan. 1 was 70% equity and 30% cash.

Clients include GenCorp and Inco USA.

Frank Wilkens, partner, is chief investment officer and client contact.

Wilkinson Boyd Asset Management

199 Elm St., New Canaan, Conn.
06840; (203) 972-0039

Total assets managed	$40,000,000
Tax-exempt assets managed	
Total	$40,000,000
Separate accounts	$40,000,000
Minimum separate account	$5,000,000
Tax-exempt clients	1
Types of accounts managed	F
No. of portfolio managers	2
Size of research staff	4

Wilkinson Boyd Asset Management, an active fixed-income manager, uses interest rate anticipation, sector analysis and business cycle analysis. It offers an enhanced limited duration portfolio of U.S. Treasury securities. It is committed to preservation of principal and management of exposure to price volatility. Options and fixed-income futures are used.

All assets were in bonds Jan. 1.

Frank M. Wilkinson, president, is chief investment officer; Dennis J. Cunningham, executive vice president, is client contact.

Wilmington Capital Management Inc.

1 Rodney Square, Suite 807,
Wilmington, Del. 19801; (302)
656-8241

Total assets managed	$1,168,000,000
Tax-exempt assets managed:	
Total	$1,090,000,000
Separate accounts	$1,090,000,000
401(k)/457 assets managed	$127,000,000
No. of 401(k)/457 plans	3
Minimum separate account	$5,000,000
Tax-exempt clients	20
Types of accounts managed	CEFG
No. of portfolio managers	3
Size of research staff	3

Wilmington Capital Management Inc. is an active equity and balanced manager.

Its primary equity approach combines Graham & Dodd analysis and low p/e stocks. It seeks to determine value through fundamental analysis; disparities between value and price create investment opportunities. Fixed income is used in balanced accounts for increased cash flow, reduced market volatility and to protect against business risk.

The asset mix Jan. 1 was 87% equities, 3% bonds and 10% cash.

The firm follows 85 stocks closely and 300, generally; 75% of research is generated internally.

Clients include Delmarva Power & Light, Pennsylvania Power & Light, California Teachers and Teamsters.

David F. Mahoney Jr., president, is chief investment officer; James W. MacAllen, vice president, is client contact.

Wilmington Trust Co.

Rodney Square North, Wilmington,
Del. 19890; (302) 651-8518

Total assets managed	$19,967,000,000
Tax-exempt assets managed	
Total	$887,000,000
Commingled accounts	$70,000,000
Separate accounts	$817,000,000
401(k)/457 assets managed	$8,000,000
No. of 401(k)/457 plans	9
International equity assets	$10,000,000
Minimum separate account	$5,000,000
Tax-exempt clients	
Commingled	156
Separate	118
Types of accounts managed	CEFJG
No. of portfolio managers	8
Size of research staff	8

Wilmington Trust Co. is an active equity, active fixed-income, balanced, active international equity and short-term manager.

Its equity approach is disciplined, systematic, consistent and value-oriented, using low p/e stocks and Graham & Dodd analysis. It offers three approaches: quantitative equity, core value and optioned equity.

In fixed income, it uses a mathematical investment process that reacts to and participates in price trends.

Options and fixed-income futures are used.

The asset mix Jan. 1 was 40% stocks, 35% bonds and 25% cash.

In addition to the assets above, $54 million is managed by external managers in four product categories: value, growth, total return and international.

Peter J. Succoso, senior vice president, is chief investment officer and client contact.

Wilshire Asset Management

1299 Ocean Ave., Santa Monica, Calif.
90401; (213) 451-3051

Total assets managed	$2,678,000,000
Tax-exempt assets managed:	
Total	$2,678,000,000
Pooled accounts	$69,000,000
Separate accounts	$2,609,000,000
401(k)/457 assets managed	$5,000,000
No. of 401(k)/457 plans	1
Equity indexed assets	$2,609,000,000
Minimum separate account	$10,000,000
Tax-exempt clients:	
Pooled	4
Separate	3
Types of accounts managed	CG
No. of portfolio managers	3
Size of research staff	3

Wilshire Asset Management is an active and passive equity manager.

The firm manages index portfolios and style portfolios focusing on growth, emerging growth, and value using quantitative models.

Stock index futures are used.

All assets were in equities Jan. 1.

The firm follows 5,000 stocks generally; all research is generated internally.

The parent is Wilshire Associates.

Clients include Minnesota, North Dakota Employees, Allied-Signal and Union Pacific.

Thomas D. Stevens, vice president, is chief investment officer; Robert A. Garvy, senior vice president, is client contact.

Wilson Foster & Co. Inc.

4987 Olivas Park Drive, Ventura, Calif.
93001; (805) 644-8207

Total assets managed	$76,000,000
Tax-exempt assets managed:	
Total	$75,000,000
Separate accounts	$75,000,000
Minimum separate account	$500,000
Tax-exempt clients	15
Types of accounts managed	CF
No. of portfolio managers	4

Wilson Foster & Co. Inc. is an active equity and balanced manager.

The firm screens for successful companies, defined as a function of size and/or profitability. Asset allocation is based on economic forecasting. Risk management divides the asset al-

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location into real assets, bonds, stocks and cash equivalents.

In fixed-income, the firm uses interest rate anticipation through fundamental economic analysis as well as credit analysis.

The asset mix Jan. 1 was 77% stocks and 23% cash.

Harvey F. Wilson, president, is chief investment officer; Paul Slivon, director of marketing, is client contact.

Wilson, Kemp & Associates

400 Renaissance Center, Detroit,
Mich. 48243; (313) 259-6210

Total assets managed	$350,000,000
Tax-exempt assets managed	
Total	$215,000,000
Separate accounts	$215,000,000
Minimum separate account	$300,000
Tax-exempt clients	80
Types of accounts managed	CEFG
No. of portfolio managers	2

Wilson, Kemp & Associates Inc. is an active equity, active and passive fixed-income and balanced manager.

Its equity approach is fundamental, combining growth, emerging growth and low p/e stocks with Graham & Dodd analysis.

Its primary fixed-income approach uses interest rate anticipation without a short-term trading orientation.

The asset mix Jan. 1 was 45% equities, 35% bonds and 20% cash.

The parent is Manufacturers National Corp.

Robert D. Kemp Jr. and Thomas A. Wilson are chief investment officers and client contacts.

Windsor Financial Group

8400 Normandale Lake Blvd., Suite
1450, Minneapolis, Minn. 55437;
(612) 835-2220

Total assets managed	$1,258,000,000
Tax-exempt assets managed	
Total	$99,000,000
Pooled accounts	$3,000,000
Separate accounts	$96,000,000
401(k)/457 assets managed	$2,000,000
No. of 401(k)/457 plans	1
Mortgage-backed assets	$9,000,000
Minimum separate account	$1,000,000
Tax-exempt clients	
Pooled	10
Separate	31
Types of accounts managed	CF
No. of portfolio managers	7

Windsor Financial Group is an active equity, active fixed-income, balanced and short-term manager.

Its equity approach is value-oriented with emphasis on strong balance sheets. The bottom-up stock selection uses medium-cap issues.

Its fixed-income approach uses sector analysis to achieve targeted returns with top-down investment risk management strategies.

The asset mix Jan. 1 was 17% stocks, 60% bonds, 13% cash and 10% mortgage-backed securities.

Tyron K. Estlick, president, is chief investment officer; Frank Hermann is client contact.

Winrich Capital Management

23702 Birtcher Drive, Lake Forest,
Calif. 92630; (714) 380-0200

Total assets managed	$201,000,000
Tax-exempt assets managed:	
Total	$136,000,000
Separate accounts	$136,000,000
401(k)/457 assets managed	$1,000,000
No. of 401(k)/457 plans	1
International equity assets	$2,000,000
Minimum separate account	$1,000,000
Tax-exempt clients	39
Types of accounts managed	CFG
No. of portfolio managers	4
Size of research staff	1

Winrich Capital Management Inc. is an equity-oriented balanced manager offering active equity and active fixed-income and short-term management.

Its equity approach is value-oriented, using systematic, computer-aided application of objective criteria, plus daily monitoring, revaluation and application of buy/sell disciplines.

High-quality government and corporate fixed-income securities are used, with laddered maturities. Average maturity is adjusted based on interest rate expectations using yield curve analysis.

The asset mix Jan. 1 was 41.2% stocks, 54.1% bonds and 4.7% cash.

Darrell J. Winrich, chairman and president, is chief investment officer; Kurt R. Winrich, vice president, is client contact.

William D. Witter Inc.

153 E. 53rd St., Suite 5801, New York,
N.Y. 10022; (212) 753-7878

Total assets managed	$380,000,000
Tax-exempt assets managed	
Total	$322,000,000
Separate accounts	$322,000,000
Minimum separate account	$5,000,000
Tax-exempt clients	27
Types of accounts managed	CEFG
No. of portfolio managers	3
Size of research staff	2

William D. Witter Inc. is an active equity and balanced manager.

The equity philosophy emphasizes growth with a value discipline. Portfolios are constructed on a bottom-up, risk/reward basis, seeking a better-than-market investment return. Small-cap, low p/e and growth stocks are targeted.

The asset mix Jan. 1 was 90.8% stocks and 9.2% cash.

Clients include Oregon, Henley Group, Houbigant, Hilton Foundation and DePauw University.

William D. Witter, president, is chief investment officer and client contact.

Wolf, Webb, Burk & Campbell Inc.

260 S. Broad St., Suite 901,
Philadelphia, Pa. 19102; (215)
735-5910

Total assets managed	$900,000,000
Tax-exempt assets managed	
Total	$900,000,000
Separate accounts	$900,000,000
Mortgage-backed assets	$27,000,000
Minimum separate account	$10,000,000
Tax-exempt clients	40
Types of accounts managed	CEFJG
No. of portfolio managers	6

Wolf, Webb, Burk & Campbell Inc. is an active equity, active fixed-income and balanced manager.

Equity investments are based on the firm's value-oriented, sector rotational, market-timing approach. Its fixed-income approach is keyed to interest rate anticipation, market timing and sector swaps.

The asset mix Jan. 1 was 32% stocks, 57% bonds, 8% cash and 3% mortgage-backed securities.

Clients include City of Wichita, Skidmore College and National Automatic Sprinkler Industry.

H. Jerry Wolf is chief investment officer; Bill Campbell is client contact.

Wood, Struthers & Winthrop Management Corp.

140 Broadway, New York, N.Y. 10005;
(800) 221-2832 or (212) 504-4000

Total assets managed	$934,000,000
Tax-exempt assets managed:	
Total	$398,000,000
Separate accounts	$398,000,000
401(k)/457 assets managed	$44,000,000
No. of 401(k)/457 plans	2
Mortgage-backed assets	$20,000,000
Minimum separate account	$250,000
Tax-exempt clients	72
Types of accounts managed	CEFJ
No. of portfolio managers	6
Size of research staff	1

Wood, Struthers & Winthrop Management Corp. is an active equity, active fixed-income and balanced manager.

Its equity approach is based on fundamental research screened within the context of quantitative valuation techniques. Holdings are concentrated by sectors, emphasizing industry leaders with an identifiable earnings growth pattern. Options are used.

Its fixed-income approach focuses on maturity risk to ensure preservation of capital and a real rate of return over an interest rate cycle. Fundamental research is used.

The asset mix Jan. 1 was 53% stocks, 41% bonds and 6% cash.

The parent is Donaldson, Lufkin & Jenrette Inc., a subsidiary of Equitable Life Assurance Society of the United States.

James A. Engle is chief investment officer; Carl B. Menges, chairman and chief executive officer, is client contact.

Woodbyne Corp.

P.O. Box 182, Columbus, Ohio 43085;
(614) 436-6510

Total assets managed	$3,000,000
Tax-exempt assets managed	
Total	$3,000,000
Separate accounts	$3,000,000
Tax-exempt clients	1
Types of accounts managed	E
No. of portfolio managers	1

Woodbyne Corp., an active equity, active fixed-income and balanced manager, balances high-yield domestic stocks, quality corporate bonds and Treasury issues to achieve maximum total return.

Walter B. Wiley, president, is chief investment officer and client contact.

Woodmont Realty Advisors

1050 Ralston Ave., Belmont, Calif.
94002; (415) 592-3960

Total assets managed	$500,000,000
Tax-exempt assets managed	$200,000,000
Equity real estate assets	$200,000,000
Minimum separate account	$10,000,000
Tax-exempt clients	3
Types of accounts managed	FG

Woodmont Realty Advisors Inc., a real estate adviser, provides acquisition, disposition and asset management concentrating on West Coast fully leased office, industrial, R&D, warehouse and apartment properties. Property management is done in-house.

All assets Jan. 1 were in equity real estate.

The parent is Woodmont Cos.

Clients include Marin County Employees and Koret Foundation.

Howard Friedman, president and chief executive officer, is chief investment officer and client contact.

WorldInvest Ltd.

56 Russell Square, London WC1B
4HP U.K.; 01-637-3322
120 E. 56th St., New York, N.Y.
10022; (212) 755-0900

Total assets managed	$2,711,000,000
Tax-exempt assets managed	
Total	$1,609,000,000
Pooled accounts	$114,000,000
Separate accounts	$1,495,000,000
International equity assets	$382,000,000
International bond assets	$1,227,000,000
Minimum separate account	$10,000,000
Tax-exempt clients	
Pooled	6
Separate	23
Types of accounts managed	CEFG
No. of portfolio managers	11
Size of research staff	4

WorldInvest Ltd. offers active equity, active fixed-income and balanced accounts on an international/global basis.

It takes an top-down equity approach using emerging growth and low p/e stocks. Separate market, sector and currency decisions are based on fundamental analysis. Emphasis is on companies with improving margins, product innovations and expanding markets.

Its fixed-income approach is influenced by interest rate anticipation. It takes a top-down approach with market, duration and currency decisions based on fundamental analysis. Managers do selective swaps between different sectors and borrowers.

The asset mix Jan. 1 was 24% stocks and 76% bonds.

The parent is WorldInvest (Holdings) Ltd.

Keith Brown, chairman, is chiof investment officer; Francois Dennery, director, is client contact in New York.

W.R.C. Capital Management

1310 Lady St., Ninth Floor, Columbia,
S.C. 29201; (803) 254-5421

Total assets managed	$47,000,000
Tax-exempt assets managed:	
Total	$40,000,000
Separate accounts	$40,000,000
Minimum separate account	$250,000
Tax-exempt clients	58
Types of accounts managed	C
No. of portfolio managers	3
Size of research staff	1

W.R.C. Capital Management Inc. is an active equity, active fixed-income and balanced manager.

Equity investments are made in undervalued low p/e stocks with high yields and solid fundamentals. The firm maintains its own econometric asset allocation model. Its uses Graham & Dodd methods.

Its fixed-income approach features interest rate anticipation based on its econometric model. Only U.S. government issues are used.

The asset mix Jan. 1 was 30% stocks, 60% bonds and 10% cash.

Ephraim Ulmer is chief investment officer and client contact.

Wright Investors' Service

10 Middle St., Bridgeport, Conn.
06604; (203) 333-6666

Total assets managed	$3,239,000,000
Tax-exempt assets managed	
Total	$2,828,000,000
Dedicated/immunized assets	$474,000,000
Minimum separate equity account	$5,000,000
Minimum separate bond account	$2,000,000
Tax-exempt clients	109
Types of accounts managed	CEFJG
No. of portfolio managers	7
Size of research staff	64

Wright Investors' Service is an active and passive equity, active and passive fixed-income, balanced, tactical asset, passive international equity and short-term manager.

Its equity styles include small-, medium- and large-cap fiduciary index; large-cap core; value-growth; small cap; quality international; and international country-specific indexes.

Its active fixed-income styles include money market, short-term bond and total return.

The asset mix Jan. 1 was 55% stocks, 36% bonds and 9% cash.

The parent is Winthrop Corp.

Judith R. Corchard, executive vice president and senior investment officer, is chief investment officer; Albert L. Meric Jr., executive vice president, is client contact.

Wyndmere Capital Management Inc.

CityPlace, 185 Asylum St., Hartford,
Conn. 06103; (203) 275-6444

Total assets managed	$81,000,000
Tax-exempt assets managed:	
Total	$81,000,000
Separate accounts	$81,000,000
Minimum separate account	$20,000,000
Tax-exempt clients	2
Types of accounts managed	C
No. of portfolio managers	2

Wyndmere Capital Management Inc., an active equity manager, maintains a fully invested position using common factor rotation under carefully controlled risk conditions. It emphasizes use of scientific disciplines and quantitative techniques to supplement fundamental research.

All assets were in stocks Jan. 1.

Clients are Hartford Life Insurance and Texas Utilities.

Carl E. Heidt, president, is chief investment officer; Eric P. Johnson, vice president, is client contact.

Y

Yamaichi Capital Management Inc.

2 World Trade Center, Suite 9828,
New York, N.Y. 10048; (212)
432-6800

See entry for YAMAICHI INTERNATIONAL CAPITAL MANAGEMENT CO. LTD.

Yamaichi International Capital Management Co.

1-14-8 Nihonbashi Ningyocho,
Chuo-ku, Tokyo 103, Japan;
011-81-3-660-6143

Total assets managed	$9,700,000,000
Tax-exempt assets managed	$0
Minimum separate account	$5,000,000
No. of portfolio managers	37
Size of research staff	11

Yamaichi International Capital Management Co. Ltd. is an active and passive equity, active and passive fixed-income, balanced, tactical asset allocation, active and passive international equity and active international fixed-income manager.

It has two equity approaches. Its quantitative approach is a modern portfolio theory driven Integrated Stock System. Its value-oriented approach employs a favorable risk/reward evaluation to maximize return and minimize risk. Its primary fixed-income approach analyzes economic and monetary trends to identify optimal maturity selection. Options and financial futures are used.

Henry Frantzen, co-chairman, is chief investment officer in New York; Toshiyuki Kanaya, assistant vice president, is the client contact in New York at (212) 466-6814.

Yasuda Bank & Trust Co. (U.S.A.)

1 World Trade Center, Suite 8833,
New York, N.Y. 10048; (212)
432-3620

Total assets managed	$1,000,000
Tax-exempt assets managed	
Total	$1,000,000
Commingled accounts	$1,000,000
Tax-exempt clients	2
Types of accounts managed	C
No. of portfolio managers	2
Size of research staff	4

Yasuda Bank & Trust Co. (U.S.A.) is an active equity and active fixed-income manager.

Its value-oriented equity style is enhanced by quantitative (MPT) optimization and Graham & Dodd analysis. For fixed-income investments, interest rate-based projections are used.

The asset mix Jan. 1 was 60% stocks, 30% bonds and 10% cash.

The parent is Yasuda Trust & Banking Co. Ltd.

Marc B. Ira, vice president and senior investment officer, is chief investment officer; W. Franklin Clemmons II, assistant treasurer, is client contact.

Yeager, Wood & Marshall

630 Fifth Ave., New York, N.Y. 10111;
(212) 765-5350

Total assets managed	$500,000,000
Tax-exempt assets managed:	
Total	$400,000,000
Separate accounts	$400,000,000
Minimum separate account	$10,000,000
Tax-exempt clients	15
Types of accounts managed	CEF
No. of portfolio managers	4

Yeager, Wood & Marshall Inc., an active equity manager, invests solely in growth company stocks. Portfolio companies dominate their relevant markets and enjoy recurring revenue, thus ensuring sustainability of superior growth rates.

The asset mix Jan. 1 was 95% stocks and 5% cash and equivalents.

The firm follows 50 stocks closely and generally; 85% of research is generated internally.

B. Robert Wood, executive vice president, is chief investment officer; George M. Yeager, president, is client contact.

Yield Management Group

20 Toronto St., Suite 1140, Toronto,
Ontario M5C 2B8; (416) 364-3711

Total assets managed	$1,200,000,000
Tax-exempt assets managed:	
Total	$600,000,000
Pooled accounts	$500,000,000
Separate accounts	$100,000,000
For subsidiaries of U.S. firms	$100,000,000
Dedicated/immunized assets	$100,000,000
Minimum separate account	$5,000,000
Tax-exempt clients:	
Pooled	50
Separate	5
U.S. subsidiaries	5
Types of accounts managed	CGU
No. of portfolio managers	3
Size of research staff	5

Yield Management Group, a Canadian firm, is an active and passive equity, passive fixed-income, tactical asset allocation and short-term manager.

Its equity approach screens stocks for specific historic characteristics — low price-to-book, high return on equity. Graham & Dodd analysis is used; an optimization model is also used.

Its fixed-income approach ranges from immunization to return optimization under various interest rate scenarios. Sector analysis is used.

Eric Innes is chief investment officer and client contact.

Growth lags

Continued from page 1

year; the business is now know as Chancellor Capital Management. Citicorp Investment Management retained the international and global business.

Investment counselors' share increased to 29% from 27% and insurance companies' share stayed at 38%.

As for insurance companies, "one thing they have going for them is a stake in the defined contribution market, especially with GICs," Mr. Jones said. "One thing the banks have going against them is a perception that they are not effective investment managers."

Among the Top 200 managers of tax-exempt assets, banks' share also dropped, to 34% from 35%, while insurers' share dropped to 32% from 33%. Investment counselors not affiliated with a bank or insurance company saw their market share rise to 34% from 32%.

The Top 100 managers of tax-exempt assets saw some other changes caused by mergers and acquisitions. Centerre Trust Co. and Boatmen's National Bank of St. Louis, ranked 82nd and 66th respectively a year ago, became Boatmen's Trust Co., now ranked 33rd. Bank of New York, ranked 110th last year, acquired Irving Trust Co., New York, ranked 70th; the merged company now is 53rd.

Lincoln National Investment Management, Fort Wayne, Ind., moved into the Top 100 because its assets under management were merged with those of its parent company, Lincoln National Corp., leading to a significant increase. Pacific Investment Management Co., Newport Beach, Calif., is not named in the Top 100 because its assets are included with those of its parent, Pacific Financial Cos.

Moving into the Top 100 were Trinity Investment Management Corp., Boston, up to 90th from 107th; PRIMCO Capital Management Inc., Louisville, Ky., to 91st from 111th; Hartford Life Insurance Co., Hartford, Conn., to 93rd from 115th; Continental Assurance Co., Chicago, to 96th from 103rd; First Fidelity Bancorp, Newark, N.J., to 97th from 119th; and Heitman Advisory Corp., Chicago, to 99th from 105th. Another new name was Payden & Rygel Investment Counsel, Los Angeles, which was not profiled last year; this year, it was 95th.

Dropouts from the Top 100, besides those accounted for through mergers, were UNUM Life Insurance, Portland, Maine, to 105th from 100th; Trusco Capital Management Inc., Atlanta, to 108th from 87th; Pittsburgh National Bank, to 110th from 99th; MacKay-Shields Financial Corp., New York, to 111th from 91st; Forstmann-Leff Associates Inc., New York, to 118th from 95th; and Security Pacific Investment Managers Inc., Los Angeles, to 163rd from 90th.

Among other highlights of *P&I Age's* annual directory:

- The movement from portfolio insurance since the 1987 stock market crash was much in evidence; 30 firms offered it as of Jan. 1, down from 66 a year earlier; the number of clients using it decreased to 230 from 256; and the tax-exempt institutional assets covered dropped to $5.4 billion from $15.3 billion.
- A total of 124 firms reported they offer one of the hottest investment strategies, tactical asset allocation. This question was not in the previous year's survey.
- Tactical asset allocation accounted for some changes in index fund numbers. Wells Fargo Investment Advisors, San Francisco, reported $6.2 billion in bond index funds, down from $10.9 billion a year ago, because its tactical model is bearish on bonds. Chancellor's $1 billion in stock index funds was triple its year-ago figure because its tactical model was bullish on stocks during 1988. ■

PEOPLE

Corporate

John E. Rutzler III has been named vice president-controller of Zurn Industries Inc., Erie, Pa. He previously served as manager-corporate financial reporting. Before joining Zurn in 1980, Mr. Rutzler was with Ernst & Whinney.

James R. Anderson Jr. has been appointed vice president-finance for The Austin Co., Cleveland. Mr. Anderson joined Austin in 1984 as director of financial planning and was elected secretary-treasurer in 1987.

G. McDonald

Ryder System Inc., Miami, has promoted **Gail M. McDonald** to senior vice president-human resources. Employee compensation and employee benefit plans will be among Ms. McDonald's new duties. She joined the company in 1977 and most recently was vice president-human resources in the company's vehicle leasing and services division.

Gary P. Silverman has joined The LTV Corp., Dallas, as director of compensation and benefits. He will be responsible for the design and implementation of employee compensation and employee benefit programs. He most recently was employed by the human resources division of W.R. Grace & Co.

The Boston Co. has named **G. Neal Ryland** as executive vice president and chief financial officer. Mr. Ryland was formerly senior vice president and chief financial officer of Kenner-Parker Toys, Beverly, Mass.

A. Mandell

Andrew Mandell has been appointed vice president-finance at Walt Disney Imagineering, a subsidiary of the Walt Disney Co. He is responsible for financing, contract administration, purchasing and information services. He formerly was chief financial officer for the Pepsi Cola Co. Chesapeake area, Baltimore.

Managers

Charlie Kelso has joined First Quadrant Corp. as managing director. Mr. Kelso previously was senior vice president and chief investment officer of Mellon Bank and also worked as executive vice president-finance at American General Corp.

John H. Behrend has joined Philadelphia Investment Management Group as a vice president. Mr. Behrend previously was employed by Bear Stearns Asset Management Co. and also worked as director of fixed income at Provident National Bank.

L. Raskin

Leon M. Raskin has been named vice president at The Rothschild Co., Baltimore. Mr. Raskin, whose responsibilities will include administration and client financial management, formerly was vice president of marketing at Legg Mason Capital Management Inc. He also served as trust division vice president of Mercantile-Safe Deposit and Trust Co., Baltimore.

Keystone Investment Management Corp. has appointed **Jeffrey W. Smith** vice president for institutional sales. He most recently was in the global custody division of State Street Bank and Trust Co.

William P. Grow has been promoted to vice president at Norstar Employee Benefit Services Inc., Rochester, N.Y. He joined Norstar in 1988 as vice president and previously worked with LaCrosse Trust Co., LaCrosse, Wis.

D. Michalak

Debra L. Michalak has been promoted to vice president at Dana Investment Advisors Inc., Brookfield, Wis. Ms. Michalak, who is responsible for the operations department of the investment management firm, joined Dana in 1983.

Phoenix Mutual Life Insurance Co. has named **Martin J. Gavin** senior vice president-investment products. Mr. Gavin, who joined The Phoenix in 1984 as vice president-pensions, formerly was head of pension operations at CNA Insurance Cos.

Brian Mosher has joined Meridian Asset Advisors Inc., Indianapolis, as a portfolio manager. Previously, Mr. Mosher was employed by Provident Bank, Cincinnati.

Harris Trust Bank of Arizona, Scottsdale, has named **Jim Wahl** vice president in the employee benefit trust and investment services division. He previously worked with Northern Trust as vice president-employee benefits.

The Bank of New England-Old Colony, Providence, R.I., has named **Stephen T. Carney** vice president in charge of employee benefits and endowments. He previously was vice president and department manager of employee benefits for Fleet National Bank, Providence.

Marvin B. Tepper has joined Sterling Equities Inc., New York, as a partner and general counsel. Mr. Tepper is in charge of a new division to spearhead corporate and other public and private investments. He also will be responsible for merchant banking activities and real estate. Mr. Tepper formerly was a senior partner at the law firm of Botein Hays and Sklar.

Robert Sherman has been named vice president and director of marketing at NSR Asset Management Corp., New York. Mr. Sherman formerly was vice president of institutional sales at Abel/Noser Corp.

George V. Addie has been appointed regional vice president for National Securities & Research Corp. He will be responsible for activities in the New York City metropolitan area. Before joining National Securities, he was director of mutual fund sales for New York Life Insurance Co.

Corporate finance

William R. Barrett has joined the mergers and acquisitions group of J.P. Morgan & Co., New York. Mr. Barrett, a managing director, formerly was head of the firm's Asia Pacific region.

James G. Stewart has been named managing director and group executive for the international group of Chase Manhattan Leasing Co. Mr. Stewart, who previously was senior vice president of GATX Corp. and president of GATX Leasing International, will be responsible for all leasing activities outside the United States and Canada.

Canadian Imperial Bank of Commerce has named **James W. Barnett** as vice president of the bank's New York-based leasing department. Mr. Barnett, who is responsible for lease syndications, formerly was vice president for leasing operations at Chemical Bank in New York.

Canadian Imperial Bank also named **Lu Ann Bowers** as vice president of the bank's New York-based U.S. financial institutions group. She will help structure deals, and arrange private placements of debt and equity, securitization, credit and other forms of finance. Ms. Bowers formerly was vice president of domestic banking at Chase Manhattan Bank.

Glenn R. Pittson also has been named vice president in charge of West Coast acquisition finance group operations at the Los Angeles office of Canadian Imperial Bank. Mr. Pittson previously worked as vice president and team leader in the New York office of the acquisition finance group.

Real estate

Robert E. Jones has joined Kaplan Properties, Edison, N.J., as executive vice president of operations. Mr. Jones, who is responsible for the operation of all Kaplan commercial, retail and residential rental properties throughout New Jersey, formerly was senior vice president of the commercial retail division of VMS Realty Partners.

D. Rumfelt

TOLD Corp. has named **David M. Rumfelt** vice president and chief financial officer. Mr. Rumfelt joined the Oxnard, Calif.-based industrial and commercial real estate developer from Motel 6 Inc., where he was a vice president of finance.

Geoffrey M. Donoghue has been named executive vice president-asset management for The Lehndorff USA Group of Cos. Mr. Donoghue is now responsible for supervision, leasing and redevelopment activities of the company's U.S. portfolio. He formerly was senior vice president-director of development at the Dallas firm.

The Codman Co. Inc., Boston, has named **John M. Cullinane** as senior property manager for the management division, responsible for servicing several of the company's institutional accounts. He formerly was vice president and managing director of Boylston Properties Inc.

Consultants

Two people recently have joined Yaffe & Co. Inc. in the defined benefit practice area. **Annemarie C. Stauch** has been named a pension actuary; **David W. Gilley** has been named a pension actuarial trainee.

G. Platas

Gus A. Platas has been named vice president and managing consultant at Norstar Employee Benefit Services Inc. Mr. Platas is consultant for Norstar's Rochester, N.Y., clients, overseeing actuarial and administrative services performed on behalf of those clients. Before joining Norstar in 1983, Mr. Platas was manager-employee benefits for Twentieth Century Fox Film Corp., Los Angeles.

Buck Consultants Inc. has named two benefits consultants. **Charles D. Reuter** joined the New York office. He formerly was managing consultant with A. Foster Higgins. **David C. Long** has joined the Houston office. Mr. Long formerly was head of David C. Long & Associates, a benefits consulting firm.

Seven professionals also have been promoted at Buck. They are: **Harry Burger**, **Robert Howley** and **Kenneth Pflug**, senior actuarial managers, Secaucus, N.J., office; **Patricia Hickey**, senior actuarial manager, Chicago office; **Carol Dunckley**, associate benefit consultant, New York office; **Sharon R. Young**, associate benefit consultant, Atlanta office; and **Robert Gallo**, associate administrative consultant, San Francisco office.

Thomas D. Tucker has been named director for the Boston office of Laventhol & Horwath's Real Estate Advisory Services. Mr. Tucker will be responsible for the firm's New England practice. He formerly worked at Laventhol & Horwath's Orange County, Calif., office.

Joseph Lim has been named regional actuary in the employee benefits department of the Philippines office of Johnson & Higgins. Mr. Lim, who formerly was director and treasurer at the Wyatt Co. in the Philippines, will coordinate Far East Asian activities and projects for the firm.

Ford Capital joins ranks of managers

SAN DIEGO — Ford Investor Services Inc. has set up a money management affiliate, Ford Capital Management Inc.

Ford Capital will base its investment strategy exclusively on research generated by Ford Investor Services, which does proprietary quantitative research on common stocks and publishes the Ford Data Base. Other money management firms buy this research and use it as one of several tools in their strategies.

David C. Morse, founder and president of Ford Investor Services, will be chairman and chief investment officer of Ford Capital. John P. Arnold will be president of the new firm. Mr. Arnold had been senior vice president and chief operating officer of Bernstein-Macaulay Inc., New York, and joined Ford Investor Services about a year ago. ■

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PENSIONS & May 29, 1989
Investment Age
The newspaper of corporate and institutional investing $6 an issue - $110 a year

Rally's endurance doubted

Yet some strategists raise stocks, lower cash

By Margaret Price
and Trudy Ring

Heady times have returned to Wall Street, but not all institutional investors believe the good times will last.

On Wall Street, the market's surge has many participants claiming the market is on a roll, with some seeing the Dow Jones Industrial Average attaining 3000 this year. The Dow has risen more than 14% from its Dec. 30 close of 2168.57; following a dive in U.S. producer prices and drops in interest rates, it hit a post-crash high of 2502.02 May 22 and closed May 24 at 2483.87.

But while some of Wall Street's prominent portfolio strategists scurried to change their recommended asset mix, more than half of the investment executives interviewed by *Pensions & Investment Age* were far from bullish.

On Wall Street, Merrill Lynch & Co.; Goldman, Sachs & Co.; and Salomon Brothers Inc. have recommended increasing equity allocations by reducing cash.

Their rationale usually centers on classic economic fundamentals: Interest rates are at or near their peak; inflation appears to be under control; and recession still appears distant so corporate profits remain at least satisfactory.

Salomon Brothers at the end of April changed its "view of the equity market and asset allocation from a 50-50 stocks-to-cash (ratio) to 80-20, stocks-to-cash, for equity portfolios," said Robert S. Salomon Jr., a managing director and head of equity research.

Goldman, Sachs' investment policy committee decided a 35% weighting in cash for all-equity model portfolios was "much too conservative," said Steven Einhorn, committee chairman. Mr. Einhorn

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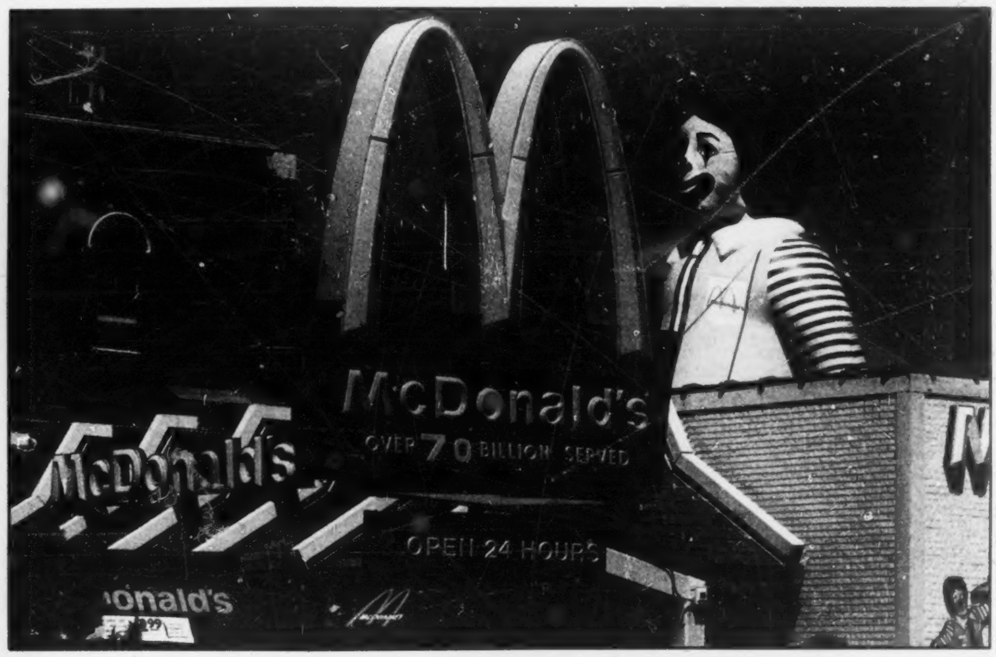

Photo by Michael A. Marcotte

McDonald's Corp. is opening its ESOP debt offering to non-qualified investors, a move that reflects a broader interpretation of the code governing the tax benefits of the securities.

ESOP debt tax issue surfaces

By Barry B. Burr

Opposing interpretations of tax regulations have surfaced in the first two public offerings of publicly traded debt by leveraged employee stock ownership plans.

In one case, investors will pay the price if the opinion is wrong.

Brunswick Corp., Skokie, Ill., takes a cautious approach, refusing to allow non-qualified investors, including its two investment banks, to buy its publicly offered ESOP debt. But McDonald's Corp., Oak Brook, Ill., in its ESOP debt offering, will allow its investment bank and any other non-qualified investors to buy and hold the securities almost without exception.

As a result, Merrill Lynch Capital Markets and Shearson Lehman Hutton Inc., Brunswick's investment banks, will act only as agents, while Salomon Brothers Inc., McDonald's investment bank, will be making markets in the debt and have potentially more lucrative trading opportunities.

Both offerings of $100 million each are in registration with the Securities and Exchange Commission.

If McDonald's is wrong — and its offering prospectus notes its interpretation isn't binding on the Internal Revenue Service — the mistake would jeopardize the tax benefits to the qualified ESOP lenders.

The different interpreta-

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Congress tackling retiree health

By Joel Chernoff

WASHINGTON — Congress might allow employers to pre-fund a portion of their retiree medical liabilities as part of legislation on asset reversions from terminated pension plans.

Proposals under discussion represent only a first step toward meeting employers' needs to fund their retiree health liabilities — estimated between $200 billion and $2 trillion. But a move by Congress would provide at least a safety valve for employers who face having to place these liabilities on their balance sheets starting in 1992.

The dilemma of retiree health care funding — Page 15

Benefit experts describe the situation as very fluid. "If they're going to move, they're going to move very fast," said Meredith Miller, an employee benefit specialist for the AFL-CIO.

"I'm more optimistic now than I was even a month ago," said Rep. Rod Chandler, R-Wash., who acknowledged the outlook "still is not very good," primarily because of the potential impact on federal tax revenue.

But the issue got a big push when Rep. J.J. Pickle, D-Texas, who chairs the House Ways and Means Oversight Subcommittee, said his panel might try to resolve the asset reversion issue. While Mr. Pickle did not address retiree health issue directly, any solution to the plan termination issue could provide an opening for retiree health legislation.

Mr. Pickle is most concerned that employees are not receiving their full benefits when their plans are terminated in mid-career. A Labor Department study had found employees could lose up to 45% of their benefits because of plan terminations.

While Ways and Means members had spurned earlier attempts to deal with the reversion issue, their newfound

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Rep. Rod Chandler is cautiously optimistic on tax advantages for pre-funding health care.

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LATE NEWS

Proxy proposals gain support

Three of four proxy resolutions calling on Boeing Co., Kimberly-Clark Corp., Lockheed Corp. and Ford Motor Co. to opt out of Delaware's takeover law netted surprisingly strong shareholder support for first-time proposals.

At Boeing, the vote in favor of the opt-out plan was 19.3%; at Kimberly-Clark it was 16.1%; and at Lockheed, 22.9%, according to the Investor Responsibility Research Center, Washington. At Ford, the vote in favor was only 7.4%.

The sponsors — the New York City Retirement Systems at Boeing and Kimberly-Clark, the California Public Employees' Retirement System at Lockheed and the California State Teachers' Retirement System at Ford plan — generally were pleased with the results.

A majority of the outstanding votes was needed for approval. Under the Delaware law, companies may opt out of any or all of its takeover protections.

APPWP seeking simplified rules

WASHINGTON — A pension trade group is pushing a sweeping simplification of pension tax and fiduciary rules.

The effort drafted by an Association of Private Pension and Welfare Plans committee is motivated by a desire to rid pension and tax laws of obsolete and redundant rules. The trade group also wants to draft rules written for law-abiding plan sponsors, not for "the few isolated offenders," APPWP officials said.

Proposals being circulated among key congressmen include providing a uniform definition of highly compensated employees, instead of three as now exists; eliminating or modifying the minimum participation rules; repealing the non-discrimination test for 401(k) plans; eliminating or simplifying the top-heavy rules; easing distribution rules; and killing the summary annual report and simplifying the Form 5500 annual report.

APPWP officials hope to see at least some proposals attached to the budget reconciliation bill Congress will draft this summer.

U.S. Trust purchasing Dallas firm

NEW YORK — U.S. Trust Corp. has entered into an agreement to acquire Denker & Goodwin Inc., a Dallas investment adviser, for an undisclosed price.

Denker & Goodwin manages $380 million for wealthy individuals and institutions in municipal bonds, U.S. government securities and equities.

The firm was founded in 1980 by Peter J. Denker and William J. Goodwin, who will remain chairman and president, respectively.

With the acquisition, Denker & Goodwin is "hoping to be able to help our clients by offering custodial and trustee services (through U.S. Trust) in addition to investment services," said Ann Davis, operations manager.

The deal is scheduled to close in midsummer, subject to federal regulatory approval.

Fund taps international manager

RICHMOND, Va. — Ethyl Corp., in its first foray into international investments, has hired Oechsle International Advisors, Boston, to run an undisclosed amount in an active international equity portfolio.

According to Lloyd Andrew, Ethyl's former chief financial officer who now consults for the $600 million pension fund, fund executives are considering another international placement.

"It isn't just one reason" for the international move, Mr. Andrew said. "Diversification is good. (International) returns have been good. It is no longer just a domestic market; it is a world market. You can't ignore that fact."

Mr. Andrew said the money came from a reduction in the allocation to a domestic equity manager he would not identify.

N.D. plan starts overseas foray

BISMARCK, N.D. — The $400 million North Dakota Teachers' Fund for Retirement interviewed finalists May 23-24 for its initial $20 million plunge into international investing.

Interviewed were: Axe Core Investors Inc., Tarrytown, N.Y.; Baring International Investment Ltd., London; First Chicago Investment Advisors, Chicago; Morgan Grenfell Investment Services Ltd., London; Northern Investment Management Co., Chicago; Schroder Capital Management International, New York; and State Street Bank and Trust Co., Boston, according to Leroy Gilbertson, now head of the Public Employees Retirement System and who will become chief investment officer of the North Dakota Retirement and Investment Board July 1.

The fund is seeking managers for international equity and fixed-income and currency overlay programs.

The retirement board oversees the investments of the teachers' fund and after July 1, also will oversee the public employees' investments.

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Vol. 17, No. 12 — Pensions & Investment Age (ISSN 0273-5456) is published biweekly with a special edition in May, at 740 Rush St., Chicago, Ill. 60611. Second class postage paid at Chicago, Ill. and at additional mailing offices. Postmaster: Send address changes to Pensions & Investment Age, Circulation Dept. 965 E. Jefferson, Detroit, Mich. 48207.

Execs on the move

4 financial officials take on new responsibilities

Get your scorecards ready. Executive shifts are taking place at United Airlines Inc., the City & County of San Francisco Employees Retirement System, Motorola Inc. and the Oregon Public Employes Retirement System.

John C. Pope, chief financial officer of United Airlines, Chicago, is moving over to head up the airline's marketing and planning effort. He will retain the titles of executive vice president and director of UAL Corp., United's parent company.

John C. Pope is the new marketing and planning chief at United Airlines.

United will name a new chief financial officer as quickly as possible, a spokesman said.

Mr. Pope will be in charge of United's efforts to expand operations and increase market share, a spokesman said. He replaces John R. Zeeman, who was named chief executive officer of Galileo, a London-based computer reservations consortium partly owned by United.

Mr. Pope's new assignment is seen by industry observers as an important step up the ladder toward the presidency of an airline. Before becoming president, chairman and chief executive officer of their respective companies, AMR Corp.'s Robert C. Crandall and Pan Am Corp.'s Thomas Plaskett held finance, then marketing jobs at American Airlines.

Mr. Pope joined United in January 1988. He previously was senior vice president-finance and chief financial officer of AMR, Fort Worth, Texas, the parent company of American Airlines.

Mr. Pope was unavailable for comment.

Kenneth L. Shaffer, investment officer with the approximately $3.48 billion State of Alaska Retirement Systems, Juneau, has been named chief investment officer for the $3.7 billion City & County of San Francisco Employees Retirement System.

Mr. Shaffer, one of 50 candidates for the job, will receive $95,400 annually plus benefits. He replaces DeWitt Bowman, who in February became chief investment officer for the $51 billion California Employees' Retirement

Continued on page 47

William H.S. Preece returns to the corporate side of the fence, this time at Motorola.

Treasury mulls LBO debt curbs

By Joel Chernoff

WASHINGTON — A Treasury Department official has signaled the government's interest in curbing deductions for zero-coupon and payment-in-kind bonds in leveraged buy-outs — particularly those held by tax-exempt institutions and foreign entities.

If the deductibility is curbed, price tags for larger leveraged buy-outs could fall because of the resulting increase in taxes.

But some observers said the Treasury Department is launching an indirect attack on pension funds and other tax-exempt institutions.

There's a notion that pension funds are the last tax loophole to be closed, said Howard Gellis, managing director of Equitable Capital Management Corp., New York. "It's not a loophole, it's social policy," he said.

At a May 16 House Ways and Means Committee hearing on curbing leveraged buy-out activity, John G. Wilkins, the Treasury Department's acting assistant secretary for tax policy, also expressed concern about certain tax preferences granted to employee stock ownership plans, especially in light of the growing revenue loss as the use of ESOPs as takeover defenses soars.

The administration has no plans now to repeal ESOP-related tax benefits. "The last thing in the world we want to do is to see ESOPs harmed," Mr. Wilkins said.

But ESOP experts are wary, expecting efforts to reduce tax benefits.

"I predict there will be some type of vote" on ESOP-related tax benefits this year, said David Binns, executive director of The ESOP Association, Washington.

The Treasury Department largely rejected, however, options developed by the Ways and Means Committee designed to restrict leveraged buy-out activity. Mr. Wilkins said the area needs "further study" on how tax treatment of corporate debt and equity affect U.S. competitiveness in world markets.

Committee Chairman Dan Rostenkowski, D-Ill., lambasted the department for not coming up with a more aggressive posture on limiting leveraged buy-outs.

"I think we are back to square one," Mr. Rostenkowski said. "In fact, Mr. Secretary, I think you are retreating," he added, citing Treasury Secretary Nicholas Brady's previous comments concerning adjusting the tax preferences for debt and equity.

The only area where the Treasury Department favors a change in the law is for certain original-issue discount bonds, which include zero-coupon and payment-in-kind bonds. PIK bonds pay interest in additional bonds, usually for the first several years.

Original-issue discount bonds are used heavily in leveraged buy-outs because interest payments are not paid out for several years, thus enabling issuers to conserve cash. Deductions, however, accrue currently, giving issuers sizable tax breaks in advance of paying out interest.

In the mammoth buy-out of RJR Nabisco Inc., more than one-third of the $25 billion financing involved discounted or PIK securities. RJR's use of $4 billion in preferred PIKs doubled the size of the market for that security.

Mr. Wilkins suggested interest deductions for OIDs be deferred until interest actually is paid out, "where there is a substantial risk of default."

"Concerns about current deductibility of OID are particularly strong when the instrument is held by a tax-exempt organization or a foreign person, because

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Seidman against BIC limit

By Fred Williams

WASHINGTON — William Seidman, chairman of the Federal Deposit Insurance Corp., is opposed to an insurance industry initiative to remove FDIC protection from bank investment contracts for two years pending a congressional study.

The moratorium is contained in the House version of the thrift industry rescue bill as an amendment offered by Rep. Charles Schumer, D-N.Y. (*Pensions & Investment Age*, May 1).

Responding to an inquiry from Rep. Stephen L. Neal, D-N.C., a member of the House Banking subcommittee, Mr. Seidman said "the FDIC emphatically believes there is no significant risk to the insurance fund in passing through coverage to beneficial owners of pension plans" that purchase BICs.

The insurance industry has been lobbying hard to remove pass-through coverage of up to $100,000 per participant and has pushed for the moratorium on BICs issued after April 6 to prevent the buildup of potentially large FDIC insurance fund liabilities until the issue is resolved.

"We are extremely troubled by the Schumer amendment for several reasons," Mr. Seidman said in his response to Mr. Neal. "First, it calls into question the deposit insurance coverage applicable to the substantial bank deposit market represented by deposit products held by pension and profit-sharing plans."

He pointed to a recent Fed-

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Longer is not better

Medium-term bonds befit pension funds' needs

By Edward R. Bedrosian and Edward M. Safran

Long-term government bonds are a bad investment. In terms of risk and return, fixed-income securities of moderate maturity offer investors a better deal.

For most institutional investors, the fixed-income asset class is expected to provide consistent, real returns, a sort of anchor to windward. The evidence demonstrates fixed-income portfolios of moderate maturity will achieve this objective better than those of long maturities.

Long-term government bonds haven't been the good refuge for risk-averse investors. They also have not performed well for those investors wishing to increase their risk exposure by extending the maturity of their fixed-income portfolio. If pension sponsors want to increase the risk exposure of their funds, it is better to shift assets out of fixed income and into a riskier asset class with higher return potential (e.g., common stocks).

Even dedication and immunization, despite pension sponsors' widespread use of these asset-liability matching strategies, are inappropriate portfolio techniques for inflation-related liabilities, namely, defined benefit pension obligations.

Long-term bonds have a place in portfolios, but not for most pension sponsors.

Our view is founded on our investment experience evaluating risk-return characteristics of fixed-income securities in all sectors of the market.

The historical return of long-term government bonds is the lowest of the major financial asset classes (aside from Treasury bills); and their risk, while much lower than that of stocks, is the highest of the major fixed-income categories, including long-term corporate bonds.

Their performance turns capital market theory upside down. With long-term bonds, more risk has produced less return.

Credit risk aside, we analyzed intermediate-term (five years) and long-term (20 years) Treasury securities, drawing on research of other firms as well as our own. Each of the following analyses bolsters our view in favor of intermediate-maturity bonds.

According to the rates of return studies of Ibbotson Associates Inc., Chicago, intermediate Treasury securities outperformed long Treasury bonds for the 63-year period ended in 1988. As Table A shows, intermediate bonds returned more than long bonds (4.8% vs. 4.4%) with less risk (a standard deviation of 5.5% vs. 8.5%).

Inflation explains much of the difference. Table B divides the 63 years into six subperiods of inflation or deflation. Investors should note the spreads between intermediate and long bonds. In most subperiods, long bonds outperformed intermediate bonds by small amounts. During the high inflation subperiod of 1966 to 1980, however, intermediate bonds substantially outperformed long bonds, more than offsetting the subperiods long bonds were slightly ahead. The 15-year high

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TABLE A

Comparative performance 1926-'88

	Compound annual return	Standard deviation
Common stocks	10 %	20.9%
Small company stocks	12.3	35.6
Long-term corporate bonds	5	8.4
Long-term Treasuries	**4.4**	**8.5**
Intermediate-term Treasuries	**4.8**	**5.5**
Treasury bills	3.5	3.3
Inflation rates	3.1	4.8

Source: Ibbotson Associates Inc., Chicago

TABLE B

Intermediate- vs. long-term Treasuries

			Annual rates of return	
	Inflation status	Inflation	Intermediate	Long
1926-'32	Deflation	−4.4%	4.2%	5 %
1933-'40	Low	0.9	4.5	5
1941-'51*	High	5.9	1.5	2
1952-'65	Low	1.3	2.7	2.1
1966-'80	High	6.9	5.5	2.6
1981-'88	Disinflation	4.3	12.8	14.2
1926-'88		**3.1**	**4.8**	**4.4**

*Period of artificially low interest rates

Source: Ibbotson Associates Inc., Chicago

Edward M. Safran, left, and Edward R. Bedrosian are president and chairman, respectively, of Merganser Capital Management Corp., Cambridge, Mass.

High yields protect 'junk' in recession

By Dimitri Raftopoulos

Whenever the next recession arrives — so far it's been anticipated for 40 months — it will assuredly affect the performance of junk bonds. The question is, how badly?

I suggest investors and potential investors who fear the uncertainties of junk bonds take a fresh look at the impressive level of protection provided by the high yields of the securities.

Fear of untold losses in the anticipated recession probably is holding back many potential investors despite the attractive performance in recent years.

An analogy is sometimes drawn between the next recession and the Great Depression. But what is the likelihood that, for example, authorities would contract the money supply in a crisis (as they did in the '30s), when we know from the experience of the 1987 stock market crash the Federal Reserve Board took steps to maintain the flow of credit? Such a situation today more likely would lead to rapid inflation, which would be a boon to issuers of junk bonds.

In considering the impact of recession on junk bond performance, one must distinguish between defaults and declines in prices.

The decline in return on junk bonds, in general, will be influenced far more by a fall in prices than by an increase in defaults. Widespread fear is likely to trigger selling at prices unrelated to risks. Many junk bond portfolios financed with borrowed funds and junk bond mutual funds driven to forced redemptions will, for a short period, further depress prices by their urgent need to raise cash.

But price declines are not defaults, and price declines increase yields. If an average yield on junk bonds of 14% (as it has been recently) is insufficient compensation for higher expected default rates, will a yield of 16% be enough, or 18% or 20%?

Dimitri Raftopoulos is vice president-research at SEI Corp., New York. This article is adapted from a lengthier analysis.

During a short period of panic or forced selling by a small number of holders, the majority of potential transactors are not likely to react immediately. As every successively lower price implies a still higher yield, a point must be reached where the yield advantage over investment-grade bonds, risk and all, proves irre-

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Yields protect

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sistibly attractive.

In the short history of the modern junk bond market, there were three occasions for observing its behavior encountering a bad surprise. The LTV Corp.'s bankruptcy filing in mid-July 1986; the Ivan Boesky scandal later that year; and the 1987 crash.

In each case, the junk bond market went into a rapid decline. The price decline in the 1987 crash environment was the steepest and the most instructive because it reflected reaction to a traumatic event heralding extraordinary economic uncertainty and accompanying flight to quality. In all three occasions, however, junk bond prices rebounded when the apprehension passed.

In a steep recession, the greatest danger to the junk bond market might lie not with defaults of issuers but with failure of market-makers.

This type of risk is extraneous to the risk of junk bonds as investments, and it's a temporary condition. Except for the marginal impact on pending trades, it wouldn't affect non-leveraged investors who can wait to ride out a market-making crisis. Leveraged investors and portfolios managed aggressively, however, might be significantly affected by liquidity pressures.

Even during a recession, several important sources of support will come into play to restrain losses.

Often overlooked is the favorable effect of income reinvestment at higher yields, especially impressive for junk bonds because their high incomes magnify the importance of reinvestment for long-term returns. That higher realized compound yield helps offset adverse returns from an increase in default rates.

Market prices generally move in anticipation of economic developments. Junk prices would begin to decline before the onset of a recession, likely with the economy on the upswing and general interest rates high and rising. But issuers can't default in anticipation.

During a recession, defaults will rise. At the same time, interest rates decline in a recession. While weaker issuers are failing, stronger issuers will be refinancing at lower rates, improving their cash flow and credit.

In a series of hypothetical recession scenarios for junk bond portfolio performance over a year, I've found the high income has a powerful cushioning effect even under very adverse conditions. In the scenarios, I've assumed initial average yields of 14% and 15%; general market price declines over one year of 15%, 20% and 25%; and default rates of 5% and 10%.

By the end of one year, all the scenarios show how much yields have risen from their initial levels. In the mildest scenario, yields rise to 16.7% from 14% and prices fall 16.3%, producing a total return of −4.1%. In the worst scenario, yields rise to 20.4% and prices fall 26.5%, producing a total return of −13.6%.

A 25% price decline and 10% default rate are unlikely to happen even in a severe recession. The influences likely to restrain default rate increases, as I've mentioned, indicate the 5% default rate is more plausible. Excluding defaults on investment-grade bonds, the highest single-year default rates in the last 15 years were 4.3% in 1977, 3.1% in 1982 and 3.4% in 1986.

As for the total rate of return, a Drexel Burnham Lambert Inc. study shows it was 0.9% for 1980 (the year anticipating the recession), implying a loss of principal of 12% to 13%. For 1981, junk bonds returned a positive 2.7%, implying a principal loss of about 12.5%. For 1982, they returned 36.3% as prices rebounded sharply in anticipation of the recession's end, despite the peak in the default rate. For 1983, junk bonds returned 19.73%.

A plausible estimate of junk bond performance in a deep recession would be a 20% price loss coinciding with a 7% default. Such a combination would produce an estimated annual return of −9.5%.

Negative returns are never agreeable, so it is important to keep them in perspective as part of a considerably longer period of, I hope, positive investment experience. ■

Medium

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inflation subperiod of 1966-1980 was mainly responsible for the superior 63-year performance of intermediate bonds. While this same phenomenon did not occur in the high inflation subperiod of 1941-1951, we don't view the results of these years as meaningful because the government kept interest rates artificially low.

We found further evidence of the superiority of intermediate maturity securities by comparing returns in 10-year periods.

For all the 34 consecutive 10-year periods since 1946, intermediate bonds provided superior returns to long-term bonds. Before 1946, for most of the 10-year periods beginning with 1926, long bonds outperformed intermediate bonds. The reason for the change: Since World War II, there has been a consistent rise in interest rates and inflation; and as a result, long bonds have had greater price erosion than intermediate bonds. We believe this post-1946 performance is caused by fundamental economic factors still at work.

Going longer gives investors little incremental yield, as Salomon Brothers Inc., New York, shows in a report depicting the Treasury yield curve for the 28-year period of 1960-1987. The yield on a two-year Treasury note averaged 7.7% (or 95% of the 30-year bond yield of 8.14%). The five-year Treasury note brought 8.03% (or 99% of the 33-year bond yield).

That much of the increase in yield occurs within the first few years for a normal, positively sloped yield curve is consistent with most investors' expectations. What is surprising in the Salomon report is how early the flatness occurs in this average curve.

There was virtually no incremental return beyond five years; and from a risk-return perspective, extending beyond two years was of little value.

We see two reasons for investing long. First, long-term fixed-income securities might be the lowest risk investment to cover known liabilities within specific time periods. But if the liabilities are variable, beware. Second, long securities give market-timers the big price changes they want. Market-timers may produce superior performance, but they begin with a handicap: Long-term bonds have produced higher risk and lower returns than moderate-maturity securities. ■

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Swiss opening to foreigners

Bank changes takeover attitude

By John Parry

ZURICH, Switzerland — In a move many observers think will produce a radical rethinking of Swiss companies' attitudes toward foreign ownership, the country's largest bank has come out in favor of a more open attitude to takeovers by foreigners.

Nikolaus Senn, chairman of the board of Union Bank of Switzerland, also said companies should become more open in their relationship with shareholders. The forthcoming unification of the European markets in 1992 is not going to permit Swiss companies to keep themselves aloof from international mergers and acquisitions, he said in a speech earlier this month.

While industrial companies will have to swim with the international tide, Swiss banks should maintain their current hostile attitude to foreign takeovers.

"Swiss banking authorities should have a veto over takeovers of controlling interests in Swiss banks," he told the Swiss-American Chamber of Commerce in the speech, which banking circles said was a major step forward in bank thinking.

"The best solution is to do what most other countries do — let banks operate under regular company and banking law, but maintain some authority over ownership with a banking commission."

Industrial companies, however, cannot stand aside and block foreign participation — or even takeovers, he said. The words were seen by banking officials as supporting the position taken in November by Nestle S.A., the Swiss-based food multinational, when it announced it would allow foreigners to purchase its registered shares, which had been restricted to Swiss citizens (*Pensions & Investment Age*, Dec. 12).

Aside from one small engineering company, no company has followed Nestle's example. But banking circles said Mr. Senn's endorsement of the principle — although he did not mention Nestle by name — could lead other major Swiss industrial firms to open their registered shares to foreigners.

The three Swiss-based chemical and pharmaceutical multinationals — CIBA-GEIGY, Sandoz and F. Hoffman La Roche and Co. — all are rumored to be considering taking the Nestle path but none has done so as yet.

Foreign investors must have the right to buy into Swiss companies, Mr. Senn told the Chamber of Commerce, because those companies themselves have to rely on foreign acquisitions for growth. The European community, in a warning to Switzerland about the effects of 1992, has said it would prevent Swiss companies from buying up companies in the 12-nation European Community unless Swiss law is changed to prevent discrimination within Switzerland. The law currently is being revised and might change soon, according to Mr. Senn.

The change at Nestle allowing foreigners to hold registered shares was expected to be approved at the company's annual meeting May 25.

Helmut Maucher, Nestle managing director, said the change is necessary because Nestle does most of its business in other countries and its management is increasingly non-Swiss. Mr. Maucher, for example, is a German citizen.

This point was supported by Mr. Senn in his speech. "Many large Swiss companies give the impression of truly international firms that just happen to have their headquarters in Switzerland," he said. "Thus it is difficult to see that national interests or national security will be endangered by registering foreign investors. The practice of limiting foreign ownership is seen by many as simply a way to assure that existing management remains in control." ■

Active strategies win

Japanese exposure, rising dollar hurt indexers

By Margaret Price

In the first quarter, active international and global money managers dethroned indexers to become the top-performing managers in Pensions & Investments' Performance Evaluation Report.

For many international managers, the relatively poor performance of the Japanese equity market, coupled with the dollar's climb helped make the difference. International index funds, which often had benefited from large exposures to Japan, saw the decline in Japan's market reducing many of their returns to less than 1%, while the same development helped lift the standings of at least some active managers who steered clear of Japan.

The quarter's two best-performing global/international funds in the PIPER universe — Associated Bank's Worldwide Fund, which posted a 9.93% return, and WorldInvest Ltd.'s International Pooled Equity Fund, which reported 6.91% — both had limited exposures to Japan in the first quarter.

The $964 million international index equity fund of Wells Fargo Investment Advisors, San Francisco — which was No. 1 for the quarter and year ended Dec. 31 — dropped abruptly in the first quarter of 1989. For the quarter, the fund returned −0.1%; for the year ended March 31, the fund returned 11.2%.

Throughout 1988 and thus far this year, the Associated Bank fund had no Japanese holdings, reported Neil Braun, vice president-trust investments of the Neenah, Wis., bank.

The $18.5 million fund, which uses Templeton Investment Counsel Inc., Fort Lauderdale, Fla., as an investment adviser, also was PIPER's top international performer for the year ended March 31, with a 19.8% return. WorldInvest's $68 million fund again came in second, reporting a gain of 17.67%.

In comparison, the Morgan Stanley Capital International Europe Australia Far East Index rose 0.3% in dollar terms in the first quarter and the FT-Actuaries Europe-Pacific Index rose 0.24%. For the 12 months ended March 31, the EAFE rose 28.6% and the FT-Actuaries Europe-Pacific rose 11.23%.

Money managers cited the rising dollar as the leading influence on all international funds in the first quarter. The dollar's roughly 6% advance dampened the performance of all international investments that were not hedged back to dollars. The rise also carried a second problem: fears that foreign countries might raise interest rates to defend their currencies.

Spillover from the latter concern created problems for nondollar bond investors. In the first quarter, falling bond markets in some cases along with the rising dollar, helped push international fixed-income funds to the bottom

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Commingled international funds

3-month returns

	%
Assoc. Bank Neenah (World), Wis.	9.9
WorldInvest (Eq.), N.Y.	6.9
Wilmington Trust (Eq.), Del.	6.1
Wellington Trust (Emerg. eq.)	5.0
Lincoln Nat'l (SA 22), Ind.	4.9
Trust Co. of the West (Global)	4.5
Bankers Trust (Eq.), N.Y.	4.1
Citicorp Invst. (Eq.), N.Y.	3.7
Fidelity Mgmt. (Overseas eq.)	3.0
Putnam Cos., Mass.	2.9
Marine Midland (Eq.), N.Y.	2.8
Travelers (Eq.), Conn.	2.7
Bessemer Trust (E), N.Y.	2.6
MSCI World Index	**2.4**
Wellington Trust (Stock), Mass.	2.1
PCM Int'l (Print eq.), N.J.	2.0
Wellington Trust (Pacific Basin)	1.6
First Chicago (Eq.)	1.6
NCNB Texas (Stock)	1.6
Equitable Capital (Port. 20), N.Y.	1.2
First Chicago ($ fixed)	1.0
Aetna Capital (Eq.), Conn.	0.9
Union Bank (Invt. eq.), Calif.	0.9
IDS Trust (Coll. eq.), Minn.	0.8
MSCI EAFE Index	**0.3**
State Street Bank (Index), Mass.	0.3
Travelers (Index), Conn.	0.2
Provident Capital (Low p/e), Pa.	0.2
CIGNA Corp. (Eq.), Conn.	0.2
Confederation Life (Stock), Ga.	0.1
Wells Fargo (Eq.), Calif.	−0.1
Connecticut Mutual (Overseas)	−0.1
Prudential (Foreign stock), N.J.	−0.2
Chase Investors (Eq.), N.Y.	−0.3
Morgan Guaranty (Eq.), N.Y.	−0.3
Chase Investors (EAFE index)	−0.5
IAA Trust (CTF-I), Ill.	−0.7
Harris Trust (Eq.), Ill.	−0.8
PCM Int'l (Global yield), N.J.	−1.2
Boatmen's Trust (Coll. W), Mo.	−1.4
The Principal (Stock), Iowa	−1.7
PCM Int'l (Global bond), N.J.	−2.3
WorldInvest (Fixed), N.Y.	−2.7
Morgan Guaranty (Bond), N.Y.	−3.4
First Chicago (Non-$ fixed)	−3.7
Citicorp Invst. (Fixed), N.Y.	−4.2
PCM Int'l (Foreign bond), N.J.	−5.8
Chase Investors (Fixed), N.Y.	−5.9

1-year returns

	%
Assoc. Bank Neenah (World)	19.8
WorldInvest (Eq.), N.Y.	17.7
Wilmington Trust (Coll. eq.), Del.	15.5
The Principal (Stock), Iowa	15.5
Bankers Trust (Eq.), N.Y.	13.9
Trust Co. of the West (Global)	13.6
MSCI World Index	**13.6**
Provident Capital (Low p/e), Pa.	13.3
First Chicago (Eq.)	12.1
MSCI EAFE Index	**11.9**
Wellington Trust (Emerg. eq.)	11.6
Prudential (Foreign stock), N.J.	11.6
Wells Fargo (Eq.), Calif.	11.2
State Street Bank (Index), Mass.	11.1
CIGNA Corp. (Eq.), Conn.	10.9
Travelers (Index), Conn.	10.8
Chase Investors (EAFE index)	10.7
PCM Int'l (Global yield), N.J.	10.6
Fidelity Mgmt. (Overseas eq.)	10.5
Wellington Trust (Stock), Mass.	9.8
Putnam Cos., Mass.	9.8
Lincoln Nat'l (SA 22), Ind.	9.7
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Travelers (Eq.), Conn.	8.4
Union Bank (Invt. eq.), Calif.	7.6
Citicorp Invst. (Eq.), N.Y.	7.5
Wellington Trust (Pacific Basin)	6.8
NCNB Texas (Stock)	6.7
IDS Trust (Coll. eq.), Minn.	6.4
Boatmen's Trust (Coll. W), Mo.	6.2
Aetna Capital (Eq.), Conn.	5.9
First Chicago ($ fixed)	5.8
PCM Int'l (Global bond), N.J.	5.3
Harris Trust (Eq.), Ill.	4.3

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Managers drop holdings in cash

EDINBURGH, Scotland — Some international managers lessened their cash holdings and increased slightly holdings in Japan and the Far East during the first quarter.

According to a survey of 101 international managers by The World Markets Co. Ltd., Edinburgh, Scotland, managers dropped the cash holdings in their international portfolios during the first quarter to 7% from 9% at the end of 1988.

Among those managers, the average holdings in Japan rose to 36% from 35% at the end of 1988, and average holdings in the Far East rose to 43% from 41%.

The underweightings in Japan were one reason given for the average active manager bettering the EAFE returns.

The median manager in World Markets' survey returned 2.2% for the three months, compared with the Morgan Stanley Capital International Europe Australia Far East Index return of 0.33%. (The EAFE return is that reported in Pensions & Investments' Performance Evaluation Report.)

The EAFE return occurred despite a U.S. dollar-adjusted drop of 1.3% in the Japanese market, which accounts for fully 63.7% of EAFE,

"Within EAFE, the U.K. (United Kingdom), with its 9.3% return for U.S. investors, offset the negative influence of Japan and kept the overall EAFE return positive," according to a "Flash Report" from World Markets. (During the quarter, the average U.K. weighting in the World Markets universe rose to 14% from 13%.)

The United Kingdom now accounts for 12.6% of the EAFE, according to Morgan Stanley, up from 11.6% at year-end 1988. Continental Europe accounted for 19.4% of the EAFE market in the first quarter, according to Morgan Stanley.

West Germany comprised 4.1% of EAFE at the end of the quarter compared with 4.3% at year-end '88; France made up 3.8%, the same as its year-end weighting; Switzerland, 2.2% vs. 2.3%; Italy, 2.1% vs. 2.2%; and Spain, 1.4%, vs. 1.5%.

The World Markets survey indicated its average manager had a rounded 9% weighting in West Germany; 5% in France; 4% in Switzerland; 2% in Italy; and 2% in Spain.

World Markets survey respondents had an average 5% in Norway, up one percentage point. Norway had the best returns for the quarter, according to Morgan Stanley, at 24.7%. Its weighting in EAFE at the end of the quarter rose to 0.4% from 0.3% at the end of 1988.

According to a survey from InterSec Research Corp., Stamford, Conn., the median portfolio in its 130-manager non-U.S. equity universe returned 2.15% for the first quarter.

The median exposure to Japan was 39%, down from 39.3% at the start of the quarter; in the United Kingdom, the median holding was 15%, up from 13.4% at the quarter's start; cash holdings rose to 3.2% from 1.9%; and holdings in the Pacific markets without Japan rose to 9.4% from 8.5% at the start of the quarter.

Top-performing EAFE countries

	1st quarter return	EAFE weighting	% of average manager portfolio
Norway	24.7%	0.4%	5%
Singapore/Malaysia	14.3	0.8	2
Austria	13.7	0.2	NA
Hong Kong	13.3	1.3	3
Sweden	11.1	1.5	1

Source: Morgan Stanley & Co. and The World Markets Co. Ltd.

Indexers hurt

Continued from page 39

of the performance heap. In the 46-fund PIPER universe, the lowest-performing seven funds were international/global bond funds.

In last place was Chase Investors' International Fixed Income Fund with −5.88%. That compares with the −5.82% posted by the unhedged Salomon Brothers World Government Bond Index minus the United States.

Chase Investors' International Fixed Income Fund employs very limited amounts of hedging. According to Roger Bartley, executive director of the international department of Chase Investors in London, the fund is "clearly designed" for two types of participants: "longer-term investors who are looking for more risk diversification (beyond dollar investments) and those who expect the dollar to decline."

In the case of Associated Bank's top-performing Worldwide Fund, the dollar's rise was one factor that apparently helped the fund's performance. The fund had an almost 40% U.S. weighting, about 8% invested in the Hong Kong — whose currency movements are closely linked with the dollar — and about 10% in cash. Thus, "there was almost 60% of the portfolio in dollar-related assets," Mr. Braun noted.

In non-dollar related assets, the fund had about 12% in Canada, 10% in the United Kingdom, 10% in Australia, and about 10% collectively in West Germany, Norway and Spain. According to Mr. Braun, Templeton uses a value investing strategy.

Second-place WorldInvest and third-place Wilmington Trust Co.'s International Collective Equity Fund both use top-down approaches, while fourth placed Wellington International Investors' Emerging Company Stock Fund relied on value investing.

Beginning late last year, WorldInvest's Pooled Equity Fund began betting U.S. interest rates were about to peak. The firm gradually reduced some of its European exposures and modestly lifted allocations to markets that had "fortunes tied to that of the U.S," said Mark Beale, a WorldInvest director in London.

For the first quarter, the fund maintained weightings of about 25% in the United Kingdom, about 10% in Hong Kong, 8% each in Australia, Canada and France, 5% each in West Germany, the Netherlands, Japan and Switzerland, with smaller amounts in several other countries. According to Mr. Beale, the fund has been concentrating on "cyclical stocks that would benefit from growth in world trade and strong GNP growth."

Wilmington Trust Co., Wilmington, Del., employs an unusual twist in its collective equity fund: "We're one of the few, if not the only, international funds that use multiple (outside) investment advisers," said Catherine Gordon, portfolio manager of the $8.1 million fund. In the first quarter, the fund — which also has a very small percent (less than 1%) invested in fixed income — posted a 6.06% return.

The fund's outside advisers are Clemente Capital Management Inc. and Scudder, Stevens & Clark, both of New York; and Edinburgh Fund Managers, Edinburgh, Scotland. One benefit of using multiple managers is the lessened overall volatility of the portfolio, she said.

In the first quarter, the fund had 9% in cash, with the equities distributed roughly 30% in Japan, down from about 40% at year-end 1988; just more than 14% in the United Kingdom; almost 10% in Hong Kong; 4.6% in Singapore/Malaysia; and smaller amounts in a number of continental European countries and Australia.

Wellington Trust Co.'s International Emerging Stock Portfolio, run by Wellington International Investors, placed fourth for the quarter with a 4.97% return. The approximately $10 million Boston-based fund, which invests in companies of $250 million or less in annual revenue, got a boost from foreign takeover and merger situations, noted Marie-Claude Bernal, a Wellington vice president. "I am a value investor. I like fast-growing small companies with a market niche, especially if there is a possibility that they are takeovers, so that I can realize profits quickly," Ms. Bernal said.

In the first quarter, "I was particularly lucky," she said. "Close to 7% of total assets in the portfolio, or eight stocks, were involved with takeover situations."

But the dollar's rise did not prove beneficial for international small stocks. "Most of my holdings are currency-sensitive," Ms. Bernal said. "I would have been up about 10% for the quarter if I had hedged holdings into dollars." But that's a tactic she tries to avoid: "I'm not trying to play the ups and downs of currencies." ■

Continued from page 39

Marine Midland (Eq.), N.Y.	3.0
Connecticut Mutual (Overseas)	2.5
IAA Trust (CTF-I), Ill.	2.2
First Chicago (Non-$ fixed)	1.2
Morgan Guaranty (Bond), N.Y.	0.9
Equitable Capital (Port. 20)	−2.3
WorldInvest (Fixed), N.Y.	−2.6
PCM Int'l (Foreign bond), N.J.	−2.7
Chase Investors (Fixed), N.Y.	−3.0
Citicorp Invst. (fixed), N.Y.	−4.6

3-year returns

	%
Wellington Trust (Pacific Basin)	30.7
State Street Bank (Index), Mass.	28.7
Wells Fargo (Eq.), Calif.	28.7
Chase Investors (EAFE index)	28.3
MSCI EAFE Index	**28.2**
Prudential (Foreign stock), N.J.	28.0
Provident Capital (Low p/e), Pa.	25.8
Bankers Trust (Eq.), N.Y.	24.3
Lincoln Nat'l (SA 22), Ind.	23.0
First Chicago (Eq.)	22.7
Chase Investors (Eq.), N.Y.	22.5
CIGNA Corp. (Eq.), Conn.	21.8
WorldInvest (Eq.), N.Y.	21.7
Confederation Life (Stock), Ga.	21.7
Bessemer Trust (E), N.Y.	21.6
MSCI World Index	**20.3**
Marine Midland (Eq.), N.Y.	19.6
NCNB Texas (Stock)	19.4
Wellington Trust (Stock), Mass.	19.2
Citicorp Invst. (Eq.), N.Y.	18.6
PCM Int'l (Global bond), N.J.	18.4
Boatmen's Trust (Coll. W), Mo.	18.3
Union Bank (Invt. eq.), Calif.	18.1
Fidelity Mgmt. (Overseas eq.)	18.0
First Chicago (Non-$ fixed)	18.0
Aetna Capital (Eq.), Conn.	17.4
Chase Investors (Fixed), N.Y.	17.2
Equitable Capital (Port. 20), N.Y.	17.2
PCM Int'l (Print eq.), N.J.	16.9
Morgan Guaranty (Eq.), N.Y.	16.9
PCM Int'l (Foreign bond), N.J.	16.7
IDS Trust (Coll. eq.), Minn.	16.3
WorldInvest (Fixed), N.Y.	16.1
Wellington Trust (Emerg. eq.)	15.0
Morgan Guaranty (Bond), N.Y.	14.6
Putnam Cos., Mass.	13.9
Citicorp Invst. (Fixed), N.Y.	11.3
First Chicago ($ fixed)	7.0

5-year returns

	%
Chase Investors (EAFE index)	32.3
MSCI EAFE Index	**32.0**
Wells Fargo (Eq.), Calif.	31.3
WorldInvest (Eq.), N.Y.	29.9
Bankers Trust (Eq.), N.Y.	28.2
Wellington Trust (Pacific Basin)	27.8
First Chicago (Eq.)	26.8
Bessemer Trust (E), N.Y.	25.6
MSCI World Index	**25.0**
Putnam Cos., Mass.	24.6
PCM Int'l (Global bond), N.J.	24.6
Chase Investors (Eq.), N.Y.	24.6
Citicorp Invst. (Eq.), N.Y.	24.2
Marine Midland (Eq.), N.Y.	24.2
Aetna Capital (Eq.), Conn.	23.9
Wellington Trust (Stock), Mass.	23.2
Boatmen's Trust (Coll. W), Mo.	22.4
NCNB Texas (Stock)	21.8
IDS Trust (Coll. eq.), Minn.	21.4
Morgan Guaranty (Eq.), N.Y.	20.1
First Chicago (Non-$ fixed)	19.2
PCM Int'l (Foreign bond), N.J.	19.2
WorldInvest (Fixed), N.Y.	19.1
Morgan Guaranty (Bond), N.Y.	17.6
Citicorp Invst. (Fixed), N.Y.	15.6
First Chicago ($ fixed)	12.8

10-year returns

	%
MSCI EAFE Index	**22.0**
First Chicago (Eq.)	19.9
Putnam Cos., Mass.	19.5
MSCI World Index	**19.1**
Citicorp Invst. (Eq.), N.Y.	18.8
Morgan Guaranty (Eq.), N.Y.	17.6

NEWS BRIEFS

Divestiture is urged

ADELPHI, Md. — The University of Maryland System's finance committee has recommended divestiture of all South Africa-related securities, a move that likely will be approved by the the full board of regents June 7.

The university's $45 million endowment fund has about $11 million in stocks and bonds of U.S. companies with direct or indirect ties to South Africa, said Donna H. Cunninghame, assistant vice chancellor-financial affairs and chief financial officer. Deadline for divestiture will be Dec. 15.

GIC investors named

NEW YORK — MONY Financial Services has obtained allocations totaling $17.6 million in guaranteed investment contracts from three clients.

Sandy Trimble, MONY's manager of pension services, said the investors, and the amounts committed, are: Fleetwood Enterprises Inc., Riverside Calif., $5 million; First Interstate Bank, Los Angeles, $7.6 million; and Chicago Title & Trust Co., $5 million.

Commenting on Fleetwood Enterprises' investment, Thomas Bayless, director of taxes, said the allocation — Fleetwood's first with MONY — was made for a number of reasons, including the "attractive interest rate" offered. He declined to elaborate.

Thomas Marthaler, portfolio manager at Chicago Title & Trust Co., said "we are an investment advisory firm. We managed GIC accounts for clients, and this" $5 million GIC purchase "was the latest GIC purchase from MONY to be used for a number of our clients' 401(k) plans."

Officials at First Interstate Bank could not be reached for comment.

Ferro forms ESOP

CLEVELAND — Ferro Corp. formed a $70.5 million leveraged employee stock ownership plan, boosting to 10% from 2% the amount of the company's stock employees control.

John V. Goodger, vice president-treasurer, said the company was motivated by the tax benefits of leveraged ESOPs, allowing the company to provide slightly increased benefits at a lower cost. The ESOP will replace the company's matching contribution of corporate stock to its 401(k) plan, which now holds about 2% of the shares.

The ESOP will use the $70.5 million in 10-year loans from Society Bank, Cleveland, to buy some 1.5 million shares of newly issued preferred stock, convertible into 1.1 million common shares, or roughly 8% of the 13.8 million shares outstanding.

Mr. Goodger said Ferro will use the proceeds from the preferred stock sale to buy back an equivalent amount of common shares on the open market to avoid dilution. First Boston Corp., New York, advised the company on the plan and financing, he said.

National City Bank, Cleveland, is trustee for the ESOP and will vote unallocated shares in the same proportion as employees vote their allocated shares, Mr. Goodger noted.

Investments targeted

SACRAMENTO, Calif. — Sixty-four percent of public pension retirement systems with assets in excess of $5 billion and just more than 50% of all statewide pension systems make economically targeted investments that affect specific targets such as job creation, business development or housing, according to the Institute for Fiduciary Education.

Nearly 100 public retirement systems representing more than $440 billion in assets responded to an IFE survey on economically targeted investments. The survey was underwritten by the Ford Foundation in New York.

The survey found most economically targeted investments are made in fixed income, real estate, venture capital, small business loans, mortgages and mortgage-backed securities. The targets of the investments most frequently mentioned were home ownership, job creation, business development and high-technology development. A comprehensive report on the findings will be released in June.

Turnaround fund set

NEWPORT BEACH, Calif. — In a twist on the hot new turnaround funds, distressed company specialists at the Phoenix Group International Ltd. aim to raise $250 million from institutional investors to invest in — and revitalize — troubled technology-driven companies.

Peter von Braun said he and Charles Missler, the managing general partners of the Phoenix Technology Turnaround Fund L.P., are scouting for companies in the telecommunications, electronics, computer, laser technology and similar industries.

Phoenix joins a host of investment banks and boutiques seeking to identify ailing companies with sound assets that can be infused with new capital and management, strategically repositioned and eventually sold at a significant premium.

More than $1 billion is being raised from institutional investors for investments in troubled companies (*Pensions & Investment Age*, March 6). Most of the funds are targeting a broad range of companies in various industries.

Mr. von Braun said the fund will take an absolute control position in large-scale turnarounds and initiate mergers, combinations, strategic alliances, joint ventures and development projects and will install new management if necessary.

Each of the managing general partners has at least 20 years' experience in developing and implementing turnaround and corporate development programs. Mr. von Braun spent 11 years with the New York office of McKinsey & Co., the management consulting firm; Mr. Missler was chief executive of Cyphernetics Corp., Precision Instrument Corp. and Western Digital Corp.

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May 10, 1989

Basics lead the pack

Top funds follow stock picking fundamentals

By Andrew Reinbach

Takeovers and fundamental stock selection methods helped the top special equity fund for the first quarter in Pensions & Investments' Performance Evaluation Report.

In the first quarter, Equitable Bank, Baltimore, led the pack with a 19.4% return. The bank's $1.6 million Special Fund had a strong bias toward takeover stocks and those caught in other market plays.

The worst performers were invested in blue-chip stocks and technology issues. Those betting on blue-chip stocks included the $36 million Personal Trust Fund and the $14 million Employee Benefit Fund of First Interstate of Arizona, Phoenix. Both funds returned 1.4%. The $21 million technology fund of Ameritrust Bank, Cleveland, returned 0.2.

For the quarter, the median PIPER fund returned 7.8%; the Standard & Poor's 500 Stock Index returned 7.1%; and the Russell 2000 returned 7.7%. The PIPER special equity universe is composed of 110 commingled bank and insurance company funds.

For the one- and three-years, one of the best performers was the $3 million Special Situation Fund managed by Marble Arch Partners, Boston, for Wellington Management Inc. It ranked No. 1 for the year, returning a stunning 54.8%; for the three years, it was No. 2, with a compound annualized 22.7%.

The PIPER median equity fund returned 16% for the year and a compound annualized 8.5% for the three years; for the same periods, the S&P returned 18.1% and 11%, respectively, while the Russell 2000 returned 13% and 4.3%.

W. Patrick Flanigan, Equitable Bank vice president for employee benefit investments, which concentrates mainly in technology, energy and health-care stocks, benefited by market conditions unrelated to company fundamentals.

Three stocks -- **Texas Eastern Corp.**, **Interactive Technologies Inc.** and **SmithKline Beckman Corp.** -- averaged 45% returns because of takeover efforts. Overall, said Mr. Flanigan, he is weighted 60% in large-capitalization special situation stocks, and 40% in medium-cap special situation stocks. This year, he likes **Cooper Tire & Rubber Co.** and **Fedders Corp.**

"We're playing into the greenhouse effect on Fedders," he said, "and management has substantial stock ownership" because it is a still largely a family owned firm.

The Wellington fund is managed using bottom-up, Graham and Dodd stock-picking techniques.

Marble Arch's managing partner, Bob Beck, described the approach simply as: "Basically, we exploit market inefficiencies. . We try to look for well-managed companies that are leaders in their markets and mispriced by the market because of psychological reasons."

He cited **Reuters Holdings PLC**, which has a stodgy market image but practically owns the international stock clearance business, and money-center banks such as **Bankers Trust New York Corp.** and **Citicorp**, which the markets perceive as endangered by their large debt exposure to developing nations, as good examples of this.

The leader for the three-year period was the Select Equity Fund of NCNB Texas, Dallas, which returned 46.7%. David L. Gardner, NCNB's senior vice president and director of research, said his fund is basically contrarian.

"We tend to buy when stocks are out of favor and they have the lowest p/es per industry group, and hold them," he said. "When the people (on Wall Street) like them and are writing the research reports, we're selling." This year he has bought **McGraw-Hill Inc.**, **Loews Corp.**, **Ramada Inc.**, **Caesars World Inc.** and **Apple Computer Inc.**

On the downside, the three funds that came in last for the quarter — the technology fund of Cleveland's Ameritrust Bank, and First Interstate of Arizona Bank's Personal Trust and Employee Benefit funds — also were last for the year. For the 12 months, the Ameritrust fund returned −1.2% and the First Interstate funds,

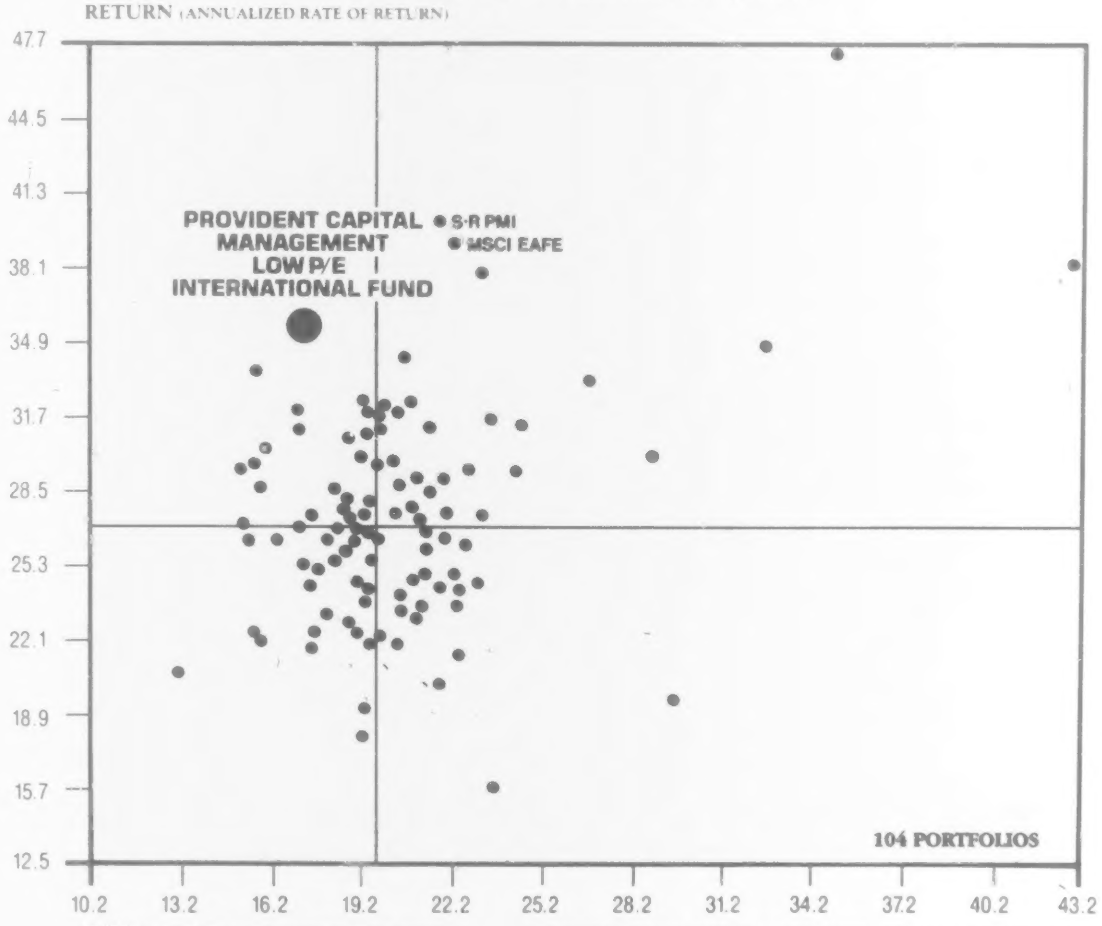
Continued on page 42

Special equity funds
(periods ended March 31, 1989)

	Quarter	1 yr.	3 yr.	5 yr.	10 yr.
Highest return	19.38%	54.82%	46.72%	35.89%	24.2 %
First quartile	10.13	20.82	12.91	16.92	18.97
Median	7.8	15.99	8.45	13.81	16.58
Third quartile	5.68	9.89	5.03	10.41	14.14
Lowest return	−0.15	−5.25	−2.32	0.29	11.53
S&P 500	**7.08**	**18.11**	**10.97**	**17.48**	**16.36**
Russell 2000	**7.7**	**12.97**	**4.34**	**11.05**	**15.97**

Low P/E works overseas, too.

RISK-RETURN COMPARISONS FOR NON-U.S. EQUITY PORTFOLIOS
3 YEARS ENDING DECEMBER 31, 1988



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CONTACT: John Campbell, Director of Marketing, (215) 561-6000.

Top quartile commingled special equity funds

	%
Equitable Bank, Md.	19.4
First City Nat'l (G-1), Texas	17.4
Chase Investors (Inter cap.), N.Y.	17.0
Wellington Trust (Spec. sit.)	16.9
Mutual of New York	16.4
Connecticut Bank (Emp. sup.)	16.3
Texas Commerce	16.1
Liberty Nat'l (Growth), Ky.	14.9
Meridian Trust (Quest.), Pa.	13.7
Security Pacific (Growth G), Calif.	13.4
Equitable Capital (Growth), N.Y.	13.2
SLH Trust (Small cap. 5), Del.	12.3
Norwest Bank (Invt.), Minn.	12.1
Provident Capital, Pa.	11.6
Metropolitan Life (SA 43), N.Y.	11.0
Fidelity Mgmt (Agg.), Mass.	10.9
Connecticut Nat'l (Sup.)	10.7
Lincoln Nat'l (Emerg. growth), Ind.	10.6
Merc Bank (Research N), Mo.	10.6
Second Nat'l Bank (Growth), Ohio	10.6
Seafirst Bank (Northwest), Wash.	10.5
SLH Trust (New values 3), Del.	10.5
Wellington Trust (Non-tech)	10.3
Russell 2000	**7.7**
Standard & Poor's	**7.1**

1-year returns

	%
Wellington Trust (Spec. sit.)	54.8
First City Nat'l (G-1), Texas	38.1
Assoc. Bank Neenah (Inc.), Wis.	35.1
Mutual of New York	34.1
Connecticut Nat'l Bank (Sup.)	30.2
Texas Commerce	29.9
Second Nat'l Bank (Growth), Ohio	28.0
Connecticut Bank (Sup.)	27.6
Fidelity Mgmt. (Agg.), Mass.	27.2
Boatmen's Trust (P-1), Mo.	26.4
NCNB Texas (Sel.)	25.6
Fidelity Mgmt. (Small co.), Mass.	25.4
First Wis. Asset (Emerg. C)	24.8
Meridian Trust (Quest.), Pa.	23.8
Mid-State Bank (Beta), Pa	23.2
Society Nat'l (Central value), Ohio	23.2
Chase Investors (Inter.), N.Y.	22.5
Provident Capital, Pa.	22.1
Wellington Trust (Non-tech)	21.9
Massachusetts Mutual (SIA S)	21.3
Liberty Nat'l (Growth), Ky.	21.1
Trust Co. of the West (Value)	21.0
Chase Investors (Value), N.Y.	20.9
Metropolitan Life (SA 43), N.Y.	20.8
Standard & Poor's	**18.1**
Russell 2000	**13.0**

3-year returns

	%
NCNB Texas (Select)	46.7
Wellington Trust (Spec. sit.)	22.7
First City Nat'l (G-1), Texas	21.7
Equitable Capital (Tangible asset)	21.2
SLH Trust (Growth 2), Del.	19.4
SLH Trust (New values 3), Del.	16.7
Assoc. Bank Neenah (Inc.), Wis.	15.9
Society Nat'l (Central value), Ohio	15.6
Connecticut Nat'l (Sup.)	15.1
Nat'l Bank of Detroit (Intrinsic F)	15.0
Society Nat'l (Regional), Ohio	14.6
Assoc. Bank Neenah (Reg.), Wis.	14.4
Mutual of New York	14.4
The Phoenix (Growth S), Conn.	14.1
Massachusetts Mutual (SIA S).	13.9
First Asset Mgmt., Minn.	13.3
Putnam Cos. (Growth), Mass.	13.3
Security Pacific(Growth G), Calif.	13.2
First Asset Mgmt. (20), Minn.	12.9
First Chicago (Inst.)	12.9
SLH Trust (Small cap. 5), Del.	12.9
Standard & Poor's	**11.0**
Russell 2000	**4.3**

5-year returns

	%
NCNB Texas (Select)	35.9
SLH Trust (Growth 2), Del.	30.3
SLH Trust (New values 3), Del.	28.3
Fidelity Mgmt. (Agg.), Mass.	22.3
Assoc. Bank Neenah (Inc.), Wis.	22.1
Connecticut Nat'l Bank (Sup.)	20.7
First Asset Mgmt (20), Minn.	20.4
Chase Investors (Inter.), N.Y.	20.1
First Asset Mgmt., Minn.	19.9
Equitable Capital (Tangible asset)	19.7
Chancellor Capital (Value), N.Y	19.3
Meridian Trust (Quest), Pa.	19.1
Security Pacific (Growth G), Calif.	18.2
Society Nat'l (Regional), Ohio	17.6
Standard & Poor's	**17.5**
Mellon Equity Associates, Pa.	17.4
Metropolitan Life (SA 43), N.Y.	17.1
Nat'l Bank of Detroit (Opp.)	16.9
Russell 2000	**11.1**

10-year returns

	%
Union Bank (Sup.), Calif.	24.2
MTrust, Texas (Growth), Texas	21.3
Norwest Bank, Minn.	21.0
Chase Investors (Inter.), N.Y.	20.7
Connecticut Bank (Sup.)	20.2
Chancellor Capital (Value), N.Y.	19.9
Provident Capital, Pa.	19.0
Standard & Poor's	**16.4**
Russell 2000	**16.0**

Basics

Continued from page 41

−4.3% and −5.3%, respectively. For the three years, the funds moved up slightly, but still ranked in the ninth and 10th percentiles, returning compound annual returns of 0.1%, 1.9% and 1.2%, respectively.

Allan Crowther, the Ameritrust vice president who manages the $21 million technology fund, said it turned in what he called a typical performance for long-term technology funds, which generally have underperformed the market.

"In general, if you take an index of small-cap technology stocks, you'll see it's been one of the weakest sectors of the market since June 1983," he said.

The market was overly optimistic on technology stocks at the beginning of the decade, Mr. Crowther said, and today they are very cheap.

"I don't know when somebody's going to ring the bell and say 'Wow, these stocks are a good buy,' but it might happen," he said.

"On the other hand, they've looked cheap for some time, and haven't performed well anyway."

The First Interstate of Arizona funds are both large-cap, blue-chip funds.

Richard A. Malcomson, the First Interstate vice president who manages the funds, said he invests in growth stocks with fundamental value and consistency of earnings.

Those stocks include **H.J. Heinz Co.**, **American Home Products Corp.**, **Johnson & Johnson**, **Hewlett-Packard Co.**, **Bristol-Myers Co.**, **General Electric Co.** and **Emerson Electric Co.**

"Growth stocks haven't done well over the past five years, but we're still convinced the cyclical investor has had his day," said Mr. Malcomson. ■

LTV decision sparks debate

By Jerry Geisel

Crain News Service

NEW YORK — Pension experts are split on whether the federal appeals court decision that forces the PBGC to swallow more than $2 billion in The LTV Corp. pension liabilities could trigger a wave of terminations of highly underfunded pension plans.

A three-judge panel of the 2nd U.S. Circuit Court of Appeals in New York May 12 unanimously upheld a lower court decision that the PBGC could not return to LTV three previously terminated pension plans with more than $2 billion in unfunded liabilities.

The PBGC terminated the plans in January 1987 after LTV, which filed for Chapter 11 protection in July 1985, said it no longer could afford to fund the plans.

But in September 1987, the PBGC attempted to force LTV to take back the terminated plans after the company, as part of a collective bargaining agreement with the United Steelworkers union, established a new pension program to provide certain non-PBGC guaranteed benefits.

At the time, the PBGC charged the "follow-on" plans were an illegal continuation of the terminated plans. But the appeals court strongly disagreed, describing the PBGC's decision as "arbitrary and capricious."

The court said it found no evidence in a series of federal benefit laws, including the Employee Retirement Income Security Act of 1974, that Congress ever intended the establishment of new pension programs to be grounds for the restoration of previously terminated pension plans.

While the PBGC argued Section 4047 of ERISA gives it the right to restore terminated plans, "the legislative history of Section 4047 reveals no indication that Congress intended the establishment of successive benefit plans to be a ground for restoration," the appeals court said.

"Congress' focus in enacting Section 4047 was mandating restoration if there was an improvement in financial circumstances," the appeals court said.

At the same time, the appeals court said employers and unions do have the right to bargain for pension benefits after a pension plan is terminated. "Collective bargaining agreements can establish a contractual obligation to provide pension benefits, following termination of a plan, in excess of the amounts guaranteed by PBGC. ERISA contains no restrictions on the the employees' rights to receive benefits not guaranteed under ERISA."

While the appeals court acknowledged an improvement in a company's financial condition is grounds for restoration of pension plans, the administrative record did not support the PBGC's finding that LTV's financial circumstances had improved sufficiently to justify restoration.

The problem with the PBGC's restoration decision is that it was based partly on the fact that LTV's operating income during the first five months of 1987 had surpassed earlier projections, the appeals court said.

"But five months is too short of a period of time to determine an income trend," the appeals court said.

The appeals court also said the PBGC failed to "apprise" LTV of the material on which it based its decision to restore the plans or to give LTV an adequate opportunity to offer contrary evidence.

"Failure to do any of these things renders the decision arbitrary and capricious," the appeals court concluded.

LTV attorneys praised the appellate court ruling. "We have said all along that a company and union have the right and duty to bargain and that plan restoration could not be based on a bargain made in good faith," said Frank Cummings, a partner with LeBoeuf, Lamb, Leiby & MacRae, the Washington counsel for LTV.

PBGC Executive Director Kathleen P. Utgoff said she was surprised and disappointed with the ruling. She added the agency has not decided whether to ask the U.S. Supreme Court to review the decision.

While the decision potentially adds more than $2 billion to the PBGC's existing $1.5 billion deficit from other terminated underfunded plans, the PBGC has no plans to ask Congress to raise termination insurance premiums, Ms. Utgoff said.

The previous premium increase, which established a variable-rate premium and went into effect in January 1988, assumed the PBGC would be a hit with a "catastrophic" claim once every five years, she explained.

Pension experts, however, are divided on whether the agency soon could be hit with an explosion of jumbo claims as other companies jettison their pension liabilities onto the PBGC.

Some pension experts had warned in 1987 that ~~an~~ LTV court victory would signal other companies to terminate large underfunded plans, shift the liabilities to the PBGC and then establish cheaper plans that provide benefits not guaranteed by the PBGC.

Some still share that concern.

"The decision increases the likelihood that some corporations could take actions to abuse the PBGC insurance program and in the process abuse the sponsors of defined benefits plans who pay the premiums to support the insurance program," said Dallas Salisbury, president of the Employee Benefit Research Institute, Washington.

But others, citing provisions in 1987 pension reform legislation enacted after the termination of the LTV plans, say a termination boom is not likely to develop.

"The hurdles to be cleared in order for a termination to be allowed are a lot higher," said Frederick Rumack, director of tax and legal services at Buck Consultants Inc. in New York.

The 1987 law, among other things, removed Chapter 11 protection filing as one way in which a company could unload its pension liabilities onto the PBGC.

In addition, the law closed many loopholes that had led to severe underfunding of pension plans and ultimately massive terminations, benefit experts pointed out. And it makes it more difficult for an employer to get a waiver from the Internal Revenue Service from making required pension contributions.

Others say it might be too soon to say whether other big terminations may be in the offing.

"I view the (appellate court) decision as a second round in an ongoing fight," said Gary Ford, former general counsel at the PBGC and now a principal with Groom & Nordberg, Washington. ■

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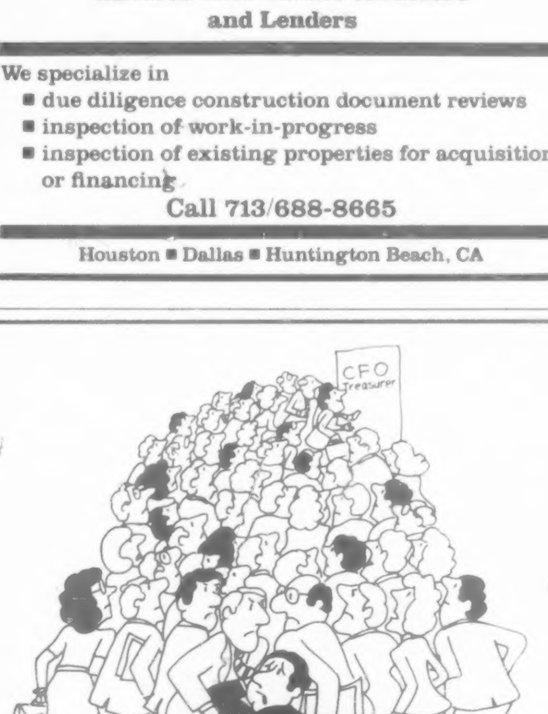

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Carl Icahn's 42.3 million shares of Texaco were grabbed up by investors.

Icahn sale a boon for investors

By Fred Williams

Sensing a bargain, institutional investors snapped up the 42.3 million shares of Texaco Inc. stock sold by financier Carl Icahn.

The investors — including pension funds, insurance companies and foreigners — bought the stock at between $49 and $49.63 per share, when it had sold the day before for $51.13 on the open market. Adding to its appeal is the prospect of an $8-per-share special dividend.

Among the buyers were the State of Wisconsin Investment Board, Madison; Bankers Trust Co. — Investment Management Group, New York; and Sun Bank Capital Management, Orlando, Fla.

Mr. Icahn sold his Texaco stock for $49 a share to three Wall Street brokerage firms — Goldman, Sachs & Co., Salomon Brothers Inc. and Shearson Lehman Hutton Inc. — for just more than $2 billion. The three, each of which bought one-third of the shares, quickly resold most of their shares a

Continued on page 54

Hong Kong feels pinch

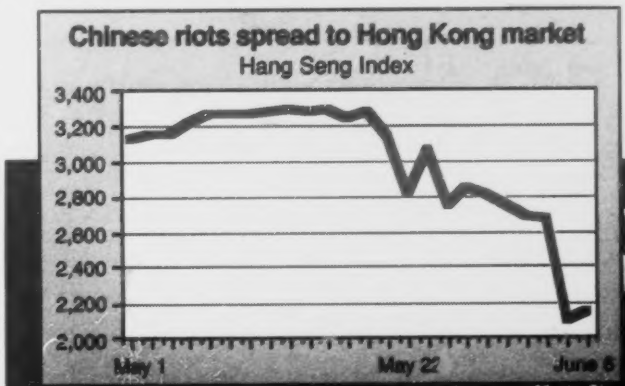
Pension funds cautious

By Curtis Vosti

U.S. pension investors in Hong Kong stocks are remaining calm during the upheaval in China, but some acted quickly at the first sign of trouble from the Beijing riots.

When martial law was declared in China May 20, the $1.1 billion pension fund of The LTV Corp., Dallas, immediately lowered its investments in the Hong Kong market to less than $1 million from $4.5 million.

"I learned a long time ago that when there's a problem in China, you're better off reducing your exposure dramatically," said Thomas Tull, director of employee benefit fund investments LTV. LTV's fund has been investing in Hong Kong for a decade.



Chinese riots spread to Hong Kong market

Hang Seng Index

But pension funds making their first moves overseas were shaken by the momentous events that sent the Hang Seng Index, the broad-based indicator of the Hong Kong market, reeling. The index posted a 22% loss — almost 600 points — the first trading day following the June 4 massacre in Beijing's Tiananmen Square, rising slightly during the next two days with 56- and 74-point gains.

For newer players, such as many public pension funds, "the events probably provide them with a good hook to hang on," said Toby Westbrook, vice president in charge of international consulting services for Callan Associates Inc., San Francisco. He said many trustees might be asking: "Do we really want to push into this?"

"They probably are going to stretch out their allocations a bit — especially with the dollar's recent strength."

Basil Schwan, assistant executive officer for the $46 billion California Public Employees' Retirement System, Sacramento, said the system has placed about $18 million in Hong Kong of its $1 billion invested internationally so far. He said he expects the Hong Kong investments to be a topic at the June board meeting.

"Some board members will be surprised that we have anything in Hong Kong," he said.

Executives of the $2.8 billion Los Angeles Fire & Police Pension System had decided in December to invest up to 5% of its portfolio overseas, but had not placed any of it yet.

"As it turns out, by a lucky chance, that is OK," said Allan Moore, the system's assistant manager.

Like many first-time international investors, Mr. Moore's fund mostly will leave country allocation decisions to its money managers, except in cases where trustees voice concerns.

Many money managers are urging calm in a situation they say is not unusual for the

Continued on page 50

Soft dollars enter bond arena

By Joel Chernoff

Soft dollars, long a much-debated staple of common stock transactions, are becoming a part of fixed-income trades as well.

More than one-quarter of fixed-income money managers cranked soft-dollar credits out of bond trading last year, according to a forthcoming survey by Greenwich Associates, Greenwich, Conn.

While vagaries in the data make it difficult to nail down just how much soft-dollar activity was generated in bonds, Greenwich does say some $235 million in soft-dollar allocations were made by money managers from corporate bond trades alone — a staggering sum given that Greenwich says only $400 million in soft-dollar allocations were made on the equity side.

Because most bond managers apparently use soft dollars to a very limited extent, only a few major users account for much of the activity.

Most of the soft-dollar activity in the fixed-income area stems from commissions from buying new bond issues — a longstanding practice — but a sizable proportion comes from an infant secondary bond trading market offered by soft-dollar brokers, such as Citicorp's Lynch, Jones and Ryan and Donaldson, Lufkin & Jenrette's Autranet unit, both in New York.

As average soft-dollar payments from equity trading

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LATE NEWS

Investors weigh new Time offer

Institutional investors had mixed reactions to Paramount Communications Inc.'s hostile bid for Time Inc.

John Cabell, assistant vice president and senior research analyst with NCNB Texas National Bank, Dallas, said Paramount's cash offer of $175 a share has more value for Time shareholders than Time's proposed merger with Warner Communications Inc. Under the merger, Warner shareholders would receive 0.465 shares of Time for each Warner share they hold, and Warner holders would end up controlling 60% of the merged company. NCNB Texas, a shareholder in all three companies, likely will tender its Time shares to Paramount if there are no other offers, Mr. Cabell said.

Eugene Sit, president of Sit Investment Associates Inc., Minneapolis, said choosing between the two deals is "a tough call." Both Time and Warner are valuable companies, and Paramount's bid for Time is a smart move, he said. Mr. Sit's firm also holds all three companies.

But Anthony Watson, chief international investment officer of Citicorp Investment Management, said "one just wonders whether (Paramount's bid) can pay off." Citicorp also owns stock in all three. Mr. Watson said he thinks the proposed merger would be more likely to preserve shareholder value.

Call for tougher auditing lauded

WASHINGTON — Pension experts applauded the Department of Labor's Inspector General for demanding tougher auditing standards be applied to pension and welfare plans.

But Inspector General J. Brian Hyland's comparison of the private pension industry and savings and loans was "not logical," said Andrew Capelli, partner at Peat, Marwick, Main & Co., New York.

In his semiannual report, Mr. Hyland warned inadequate auditing of plans leaves many violations of the Employee Retirement Income Security Act of 1974 hidden, and that transgressions rarely are reported and auditors' reports are too old to be useful.

ESOP bill stymies Brunswick

WASHINGTON — A bill to repeal the 50% interest exclusion for debt issued to finance employee stock ownership plans is putting an immediate hold on ESOP financings, including the $100 million Brunswick Corp. public debt offering, until corporate executives evaluate its implications.

"We are virtually at a standstill," said Ross H. Stemer, Brunswick's director-corporate communications, in terms of financing. The ESOP itself won't be affected, although its financing may be more costly should the bill become law, he added. (*Another story on Brunswick's ESOP appears on page 6.*)

House Ways and Means Committee Chairman Dan Rostenkowski, D-Ill., introduced the bill, complaining corporations are rushing to finance ESOP to obtain tax benefits rather than to provide employee benefits.

Termination ruling overturned

WASHINGTON — A U.S. Supreme Court decision last week is being hailed as a victory for some that have terminated defined benefit pension plans, but experts say the ruling will lead to new litigation.

In an 8-1 decision, the high court overturned a much-criticized 4th U.S. Circuit Court of Appeals decision that participants in a terminated overfunded defined benefit plan are entitled to special subsidized early retirement benefits even if the participants had not met age and service requirements.

In their decision in Mead Corp. vs. B.E. Tilley et al., justices rejected the appellate ruling that Section 4044(a) of the Employee Retirement Income Security Act gives participants rights to additional unearned benefits following a termination. The case was returned to the lower court to determine if participants are entitled to benefits under other ERISA provisions.

California to boost international

SACRAMENTO, Calif. — Trustees of the $46 billion California Public Employees' Retirement System have agreed on an asset allocation revision that boosts international investments at the expense of domestic ones.

The approved targets call for international investments to make up 16% of the portfolio, split evenly between fixed-income and equity investments, up from 10% approved last year. The target for domestic fixed income was lowered to 35% from 40%, and that for domestic equities dropped to 35% from 36%, according to Basil Schwan, assistant executive officer.

The trustees will meet this week to approve funding schedules for the allocations, which they approved in April.

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Vol. 17, No. 13 — Pensions & Investment Age (ISSN 0273-5466) is published biweekly with a special edition in May, at 740 Rush St., Chicago, Ill. 60611. Second class postage paid at Chicago, Ill. and at additional mailing offices. Postmaster: Send address changes to Pensions & Investment Age, Circulation Dept. 965 E. Jefferson, Detroit, Mich. 48207.

Arbitrage made easy

But NYSE stock basket could cut profits

By Trudy Ring

The New York Stock Exchange's proposed stock basket product could simplify — and possibly remove much of the profit from — index arbitrage, as well as ease market volatility, institutional investors say.

The "exchange stock portfolio" would mirror the Standard & Poor's 500 Stock Index. In effect, investors would buy or sell a basket of stocks, in one transaction, that represent the S&P 500. Buyers and sellers of the basket would trade the actual stocks, which is not the case with futures, options and index participation contracts, all of which are settled in cash.

With a minimum trade of $5 million, the product is aimed at institutions. The NYSE expects trading to begin in September, subject to approval by the Securities and Exchange Commission.

The index basket could have an impact on index arbitraging, also known as program trading. Index arbitrageurs use computers to detect when S&P 500 futures prices are out of line with the prices of the actual stocks in the index. The arbitrageurs then buy whichever is cheaper and sell that which is more expensive.

This, however, involves buying or selling the actual stocks in the index individually in the correct weighting, which can be time consuming and costly. Being able to trade a basket of stocks in one transaction will simplify, accelerate and reduce the cost of the arbitrage.

"It could conceivably make it easier to arbitrage stocks and futures," said Charley Weaver, director of the $6.5 billion pension fund at Southwestern Bell Corp., St. Louis. "In fact, it might make it so easy that the spreads (between stock and futures prices) would narrow."

This would take much of the profit out of index arbitrage, but could lead to less market volatility, Mr. Weaver said. He noted such program trading activity might have contributed to recent market swings. The Southwestern Bell fund doesn't do index arbitrage, he said.

Jeffrey Geller, vice president of BEA Associates Inc., New York, agreed the basket likely will provide a more efficient way of doing arbitrage and will narrow stock-futures spreads. By reducing futures mispricings, this would make futures a more attractive hedging vehicle, he said. BEA manages index funds, arbitrage and hedging strategies for clients.

Also, while the proposed product is a plain-vanilla S&P 500 portfolio, it could pave the way for trading of customized portfolios, Mr. Geller said.

The proposed basket will give arbitrageurs an alternative to the NYSE's direct-order transfer system, through which they can instantaneously make trades with specialists in each of the stocks in the index, said R. Steven Wunsch, vice president in the financial futures department at Kidder, Peabody & Co. Inc., New York. "That is at least a realistic expectation," he said.

He cautioned against expecting the basket to produce radical changes in the market. "I'm in a

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LBO firms 'store' execs

By Marlene Givant Star

The crusty cliche of free enterprise — good help is hard to find — is pushing leveraged buy-out firms and their headhunters in unorthodox directions to recruit talented corporate managers.

Several firms have started "warehousing" top operating executives, paying them $200,000 to $250,000 a year to work with the firms to find an attractive company. "Then (the executive) steps in to run it," said Steven B. Potter, managing director of Russell Reynolds Associates Inc., New York, an executive recruiting firm.

This increasingly popular process usually takes seven to eight months, with most firms warehousing only one or two executives at a time because of the expense involved.

With the buy-out arena more crowded than ever and European firms seeking out U.S. professionals for cross-border restructurings, seasoned executives to run the companies taken private and to find new targets are in greater demand than ever.

"In a buy-out, money is cheap; it's everywhere. What is valued are good deals. Part and parcel of that are good managers. It makes the difference between a 40% to 60% return and bankruptcy," said Mr. Potter.

"You can sit and wait for resumes to come to you or go out and find (the executives). They're such rare birds that if you sit back and wait, you're not maximizing your chances for success," said Mary Bechmann. Ms. Bechmann is vice president and partner in Weiss, Peck & Greer Investments, New York. The firm runs the $100 million Corporate Development Associates leveraged buy-out fund, which invests in distressed companies.

Weiss, Peck & Greer concocted its own recipe for warehousing when it teamed up with Charles Gallagher, formerly president and chief executive officer of Susquehanna Corp., Englewood, Colo. He and another Susquehanna executive were seeking their own company to turn around but needed a strong financial backer.

"We spent literally 18 months schlepping around the country with them looking for a deal," said Ms. Bechmann, before the group bought a small, distressed industrial mineral and chemical division of International Minerals & Chemical Corp., Northbrook, Ill., two years ago.

The new Deerfield, Ill.-based private company, AIMCOR, generates about $400 million in revenue and has since repaid $90 million in bank debt and formed an employee stock ownership plan.

Weiss Peck & Greer is close to contracting with one or two senior executives for similar arrangements, Ms. Bechmann said.

The latest approach to the people crunch is to offer headhunters a piece of a deal's profits in exchange for finding chief executive officers with turnaround ability or companies that need a makeover.

Weiss, Peck & Greer also brought in management consul-

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Partnership finds good deals scarce

By Steve Hemmerick

FARMINGTON, Conn. — Some big pension funds are finding a good leveraged buy-out deal is hard to find.

Executives of the limited partnership of Harry Gray, Mel Klein & Partners, Farmington, Conn., reported to their pension fund limited partners that they have looked at 235 potential deals during the past 18 months. They didn't find one in which they wanted to invest or on which they haven't been outbid.

Investors in the partnership include the $37.6 billion pension fund of General Motors Corp., New York; the $8.5 billion pension fund of Boeing Co., Seattle; the $9 billion Los Angeles County Retirement Association, Los Angeles; and the $38 billion New York State & Local Retirement Systems, Albany.

Executives of the General Motors and New York State funds said they are not particularly alarmed about the situation.

"It's still not too late" to make a deal, a GM spokesman said. While GM pension officials certainly would like to see the partnership make some good deals, they also don't mind seeing it avoid bad deals, the spokesman said.

Officials of the New York State system met with the partnership's management recently, said Claudia Hutton, assistant press secretary to Comptroller Edward V. Regan. "We expressed concern that they not rush into a deal, just to make a deal," she said. The partnership's goal is to make a good deal, not just a first deal, and the retirement fund shares that, she said.

Pension funds committed $495 million of the $545 million in equity capital ready to invest, and the general partners committed the rest. The partnership has drawn down $55 million from the pension funds — including $15 million from Los Angeles County — which is invested in short-term instruments.

The partnership has a high-powered investment advisory board, including Harold W. Haynes, executive vice president, chief financial officer and director of Boeing; James Kelliher, director for private placements at GM; and Walter T. Dec, director of private market investments at GM.

The general partners include Harry J. Gray, former chief executive officer and chairman of the board of United Technologies Corp., and Melvyn N. Klein, a merchant banker and former senior vice president with Donaldson, Lufkin and Jenrette Inc.

One of the partnership's recent bids was for the Ohio Mattress Co., Cleveland. But the partners

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IRS rules on ESOP issues

By Barry B. Burr

The Internal Revenue Service, in two separate rulings, enhanced the financing choices and tax advantages of employee stock ownership plans.

Under one ruling, the IRS will allow investment banks to underwrite and make markets in publicly traded debt of leveraged ESOPS without jeopardizing the tax benefits. The immediate beneficiaries of the ruling are McDonald's Corp. and Brunswick Corp., each of whose ESOP is offering $100 million of notes, the first two companies to issue publicly traded debt to finance leveraged ESOPs.

In the other decision, the IRS issued a private-letter ruling allowing dividends paid on stock held by a payroll-based employee stock ownership plan to be used to pay off a leveraged ESOP loan. The tax advantages of PAYSOPs were eliminated in tax reform legislation enacted in 1986, effectively killing PAYSOPs.

But Eric A. Raps, accountant with Arthur Andersen & Co., Washington, said the private letter ruling means dividend deductions afforded to corporations for stock held by ESOPs aren't limited to dividends on stock that was acquired with funds generated by an ESOP loan.

"The ability of an employer maintaining a leveraged ESOP to use dividends on shares that were not leveraged to pay off an ESOP loan raises some interesting planning opportunities," he said. "For example, an employer could transfer employer stock from a profit-sharing plan or stock bonus plan to a leveraged ESOP and generally would be able to claim a deduction if the dividends on the transferred stock are used to pay off the ESOP loan."

In the other ruling on publicly traded ESOPs, the IRS allows any other non-qualified investor, including investment banks, to invest in ESOP debt without harming the tax benefits for qualified investors. But only qualified investors may use the tax benefits afforded ESOP debt.

The ruling provides the biggest boon to investment bankers; other non-qualified investors are expected to have little interest.

Before the ruling, investment bankers for the first two publicly traded ESOP offings, those of McDonald's and Brunswick, were proceeding to act as agents, not underwriters.

The two companies, however, took opposite positions on investment by non-qualified holders in secondary trading of their ESOP debt and the use of investment bankers as market makers (*Pensions & Investment Age*, May 29).

McDonald's planned before the ruling to have its investment banker, Salomon Brothers Inc., make markets in any secondary trading in the debt, believing the tax advantages would remain intact to subsequent qualified debtholders. Brunswick was taking a more cautious approach. It planned to have its investment bankers, Merrill Lynch Capital Markets and Shearson Lehman Hutton Inc., serve only as agents in secondary trading, fearing non-qualified purchasers of the debt would jeopardize the tax benefits for subsequent purchases by qualified holders. ■

Consultant cuts ties to Milwaukee

MILWAUKEE — Ennis, Knupp & Associates resigned as consultant to the $1.5 billion City of Milwaukee Employes' Retirement System after losing project work to a rival consultant and failing to obtain full retainer status.

SEI Corp.'s Chicago office was awarded an asset planning project and placed on full retainer status. In addition, the fund switched its transaction cost analysis to SEI from Abel/Noser Corp., New York.

James Knupp, principal of Chicago-based Ennis, Knupp, who first disclosed his firm resigned the account, explained his firm wasn't interested in providing only performance reviews as it had been doing in the two years it was under contract with the board.

He said the firm otherwise could have continued under its current arrangement, which Robert G. Nehls, the fund's secretary and executive director, confirmed.

Mr. Nehls said he and the board were surprised by Ennis, Knupp's abrupt resignation. He suggested Ennis, Knupp might have been disappointed because it lost in the competition to do the asset planning study and because the fund denied Ennis, Knupp's request for a fee increase to move it onto full retainer status, while at the same time placing SEI on full retainer.

The fund expects SEI to complete the asset planning study by the end of July.

Mr. Nehls said the fund's board did not ask Ennis, Knupp to reconsider its resignation. He said the board hasn't indicated if it will contract with another consulting firm to replace Ennis, Knupp.

"To us, consulting goes beyond reporting performance," Mr. Knupp said, explaining the resignation.

He said Ennis, Knupp resigned to devote its resources to "more meaningful work" among its 31 remaining clients. "We're extremely busy," he added.

Mr. Nehls said the fund replaced Abel/Noser because of the quality of SEI's work and the desire of the board to have one fewer consultant presenting reports. ■

CORRECTIONS & CLARIFICATIONS

- In a May 29 story on Pensions & Investments' Performance Evaluation Report for international commingled funds, the one-year return for the **Morgan Stanley Capital International Europe Australia Far East Index** was incorrect. The EAFE returned 11.9% for the year ended March 31, vs. 11.23% for the FT-Actuaries Europe-Pacific Index.
- **Arthur Andersen & Co.**'s name was misspelled in a story in the May 29 issue.

Pensions & Investment Age welcomes news of personnel changes.

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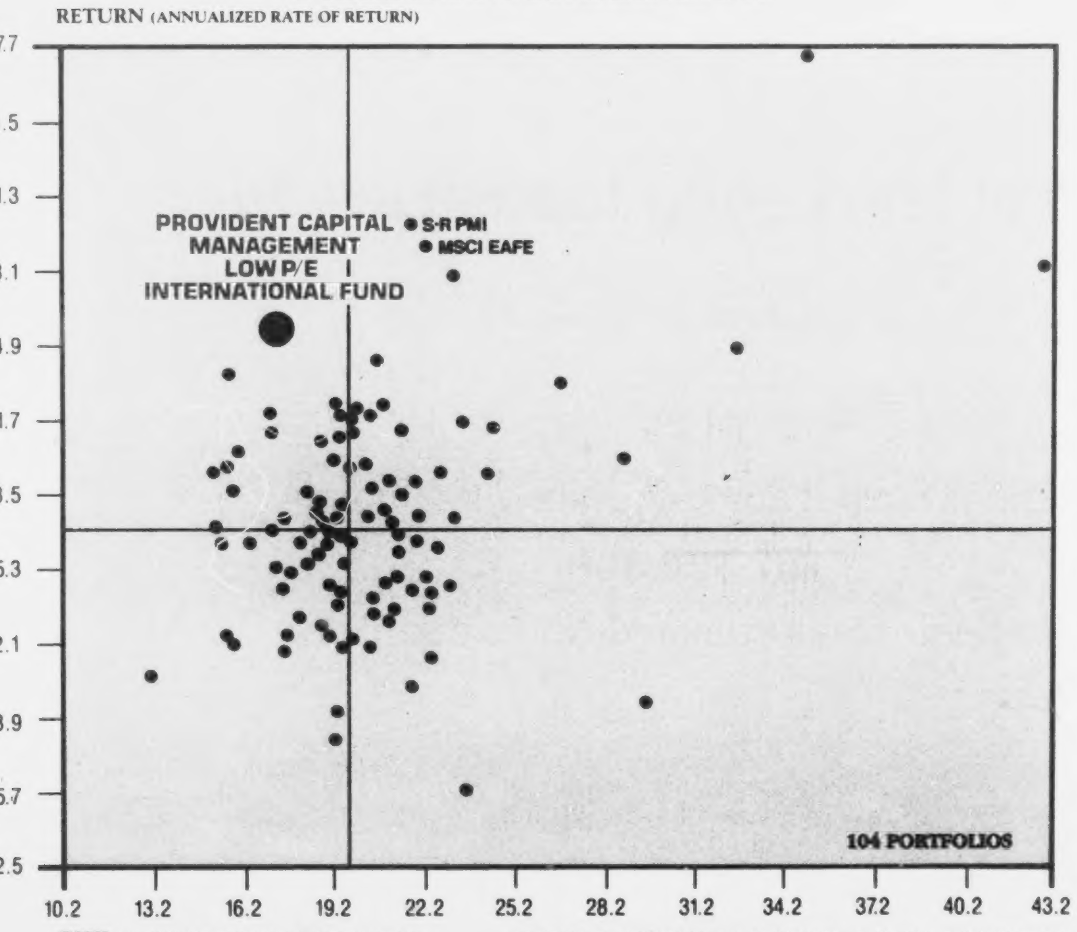

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PENSIONS & June 26, 1989
Investment Age
The newspaper of corporate and institutional investing

Fund gets major proxy concession

By Marcia Parker

National Intergroup Inc., Pittsburgh, and the State of Wisconsin Investment Board, Madison, have negotiated a revised poison pill resolution with a three-year life, marking the evolving dialogue between institutional investors and corporate executives during the 1989 proxy season.

The proposal, made public in National Intergroup's proxy statement last week, is endorsed by the company's management. It is the first time an institutional investor and a company bargained over an existing poison pill plan, shortened its shelf life, then agreed the sponsor would resubmit the plan to shareholders with management's support.

The pact also sets up for the first time a permanent shareholder review process that could be extended to cover other corporate governance-related proposals and could serve as a model for other companies.

Poison pills, which come in many forms, make companies less attractive and harder for unwelcome raiders to take over. National Intergroup's existing poison pill was adopted by the board in 1986 without a shareholder vote and was scheduled to expire in 1996. The revised poison pill proposal, on which shareholders will vote July 26, will end in 1992.

If National Intergroup wants to amend the pill during its three-year life, the company will have to seek shareholder approval. If the company wishes to extend the pill's life beyond 1992, it will have to ask shareholders to allow the extension. In addition, the proposal contemplates establishing a process for stockholder approval of the adoption of any other rights offering plan. The affirmative vote of the holders of the majority of the company's common stock is necessary for approval.

The proposal "illustrates the working relationship we can have with a company," said Patricia Lipton, assistant executive director of the $16.4 billion Wisconsin Investment Board, which owns 1.65 million shares of National Intergroup common stock. She said pension executives, negotiating with national Intergroup for some time, were impressed with the company's willingness to work with the fund.

William Rodgers, vice president, general counsel and secretary of National Intergroup, said talks with Wisconsin began last February and were supported by Chairman Howard Love.

"We regard this as another type of communication with shareholders. We wanted to create a process by which shareholders could review matters like the shareholder rights plan. We wanted to give shareholders a voice," Mr.

Continued on page 53

National Intergroup, a pharmaceutical distributor, agreed to revise its poison pill and submit it to a shareholder vote after negotiations with the Wisconsin Investment Board.

Bankers win one on BICs

By Joel Chernoff

WASHINGTON — In a defeat for the insurance industry, the U.S. House of Representatives rejected a proposed two-year moratorium on federal pass-through insurance for pension fund investments in bank deposit instruments.

The House vote killed an effort by the American Council on Life Insurance to knock banks out of the $150 billion guaranteed investment contract market. Key legislators and groups representing banks, unions, pension funds and retirees were able to persuade Congress there is no evidence that providing federal pass-through insurance threatened the Federal Deposit Insurance Corp. and Federal Savings and Loan Insurance Corp. funds.

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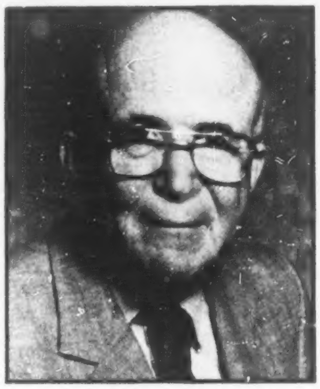

Rep. Augustus F. Hawkins helped kill the moratorium on pass-through insurance.

Searches skyrocket

Smaller plans want small-cap managers

By Fred Williams

Demand for small-capitalization stock managers has surged among pension investors, epecially among smaller ones.

Some 27 small-cap manager searches were undertaken in the first five months of 1989, compared with nine for the same period a year earlier, according to statistics from the Tracker system of Eager & Associates, Louisville, Ky.

If the hirings are maintained at that five-month pace, there will be 65 small-cap manager searches this year vs. 45 for all of last year, Tracker predicts.

Assets of the median plan sponsor hiring small-cap managers so far this year are $375 million, compared with $600 million in 1988.

Sizes of accounts given to small-cap managers reflect the smaller fund size. With $279 million in assets placed so far, the 1989 total would be $670 million — if the pace is maintained, vs. $832 million placed in 1988, despite the greater number of searches this year.

Many investment specialists trace the resurgence of interest in small-cap stocks to the market crash of October 1987.

"Institutions went back and looked at their asset allocations and found they were underweighted significantly in small-cap stocks relative to the total equity market," said Robert Kern, executive vice president of Morgan Grenfell Capital Management Inc., New York, who heads the Morgan Grenfell small-cap equities team.

"They also saw the valuation levels near their historical lows. The driving force in the renewed interest in small-cap stocks was a combination of asset allocation reviews and finding valuation levels near their lows."

Mr. Kern said Morgan Grenfell has attracted $500 million in new investments in small-cap stocks in the past 15 months, bringing its total assets under management to $800 million. "We have closed down to new clients," he said.

Small-capitalization stocks

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LATE NEWS

Request for software is bogus

LOS ANGELES — Phony letters seeking complimentary copies of asset allocation software have been sent to investment management consultants in *Pensions & Investment Age*'s name.

The letters, on counterfeit *P&I Age* letterhead, ask consultants to forward the software to a Los Angeles address, so the programs can be reviewed and published in an August issue of the publication.

Publisher William T. Bisson Jr. said *P&I Age* is not publishing any such review and did not authorize anyone to solicit software. "This is obviously an attempt to misuse the high regard for, and good will of, *Pensions & Investment Age* to fraudulently obtain valuable software," Mr. Bisson said. Anyone who has received such a letter should contact Mr. Bisson at (212) 210-0110.

Investment chief quits utility

NEW ORLEANS — Michael W. Rohm has resigned his position as assistant treasurer-investment management at Middle South Utilities Inc. to direct the fixed-income investment program at JMC Capital Management Inc., Metairie, La.

Mr. Rohm had been responsible for supervising the $1.7 billion Middle South employee benefit, corporate cash and nuclear decommissioning trusts. Middle South executives have assumed Mr. Rohm's duties while they decide whether to replace him.

New Orleans fund restructures

NEW ORLEANS — The $140 million City of New Orleans Employees' Retirement System has invested in equities for the first time.

Acting on an asset allocation study done by Prudential-Bache Investment Management Services, New Orleans, the system has hired three equity managers, two balanced managers and two fixed-income managers; it will invest about 35% in equities.

For equities, Southeastern Asset Management, Memphis, Tenn., and Dean Investment Associates, Dayton, Ohio, were hired to manage $10 million each; JMC Capital Management Inc., Metairie, La., was hired to manage $5 million, according to Paul Mitchell, director of finance.

Balanced managers hired were Cashman, Farrell and Associates, Berwyn, Pa., and WEDGE Capital Management, Charlotte, N.C., to manage $25 million each in accounts not to exceed 50% equities.

For fixed income, Consistent Asset Management Co., Wilmington, Del., was hired to manage $15 million and Quantum Capital Management, New Orleans, $5 million.

Hibernia National Bank, New Orleans, which had managed about $75 million in fixed income, will continue to handle $10 million. Bernstein-Macaulay Inc., New York, which had been managing about $35 million in fixed income, was not retained.

The system has about $32 million in guaranteed investment contracts, the assets of which will be allocated among the managers as they mature.

Banks ready for underwriting

NEW YORK — The securities affiliates of five big commercial banks are gearing up to start underwriting corporate debt in light of the Federal Reserve Bank's long-awaited approval last week of J.P. Morgan Securities Inc.'s application to raise money for companies in the public bond market.

While the Fed hasn't yet approved the applications of the other banks with securities affiliates, officials anticipate getting the go-ahead soon. The others are Security Pacific Corp., Bankers Trust Co., Chase Manhattan Corp., Chemical Bank Co., and Citicorp.

Sponsors alter manager lineups

• CHICAGO — The $10.4 billion American Information Technologies Corp. pension fund assigned $300 million to Goldman, Sachs Asset Management, New York, according to Jess B. Yawitz, chief investment officer of the Goldman, Sachs & Co. unit. Ameritech placed the money in an intermediate-term duration-targeted portfolio, said Mr. Yawitz. The duration will be roughly three to five years.

• CHEYENNE, Wyo. — The $2.7 billion Wyoming Permanent Funds hired Criterion Investment Management Co., Houston, and Duff & Phelps Investment Management Co., Chicago, each to manage $300 million in fixed income, said Glenn Shaffer, deputy state treasurer-investments. The firms are the funds' first external managers. William M. Mercer Meidinger Hansen Inc., Denver, assisted in the search.

• WASECA, Minn. — Brown Printing Co., with $31 million in pension assets, has hired its first external equity managers.

Carl Domino Associates L.P., West Palm Beach, Fla., will run $5 million in large-capitalization equities, according to Paul Lohse, Brown assistant controller. Fisher Investments Inc., Woodside, Calif., will manage $5 million in medium-cap equities.

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Vol. 17, No. 14 — Pensions & Investment Age (ISSN 0273-5466) is published biweekly with a special edition in May, at 740 Rush St., Chicago, Ill. 60611. Second class postage paid at Chicago, Ill. and at additional mailing offices. Postmaster: Send address changes to Pensions & Investment Age, Circulation Dept. 965 E. Jefferson, Detroit, Mich. 48207.

SEC eyes soft dollars

Bond trades may not have a 'safe harbor'

By Joel Chernoff

WASHINGTON — Using fixed-income and derivative trades as a source of soft dollars is running into tough sledding at the Securities and Exchange Commission.

If the SEC ultimately rules against such uses, it could impair attempts by money managers to generate new sources of soft dollars.

Institutional investors lately have looked to bonds and other instruments to generate the soft dollars they have lost because of lower U.S. equity trading levels. Greenwich Associates, Greenwich, Conn., has found $235 million in soft-dollar allocations were made by corporate bond managers last year, although some believe the figure is quite high (*Pensions & Investment Age*, June 12).

To a much smaller extent, money managers and pension executives also are using trading from futures and options, international equities and over-the-counter stocks to generate soft dollars.

In return for directing a certain level of trades through a soft-dollar broker, such as Citicorp's Lynch, Jones & Ryan, a manager would get back, say, half of the commissions to pay for research provided by third parties, such as computer equipment, Quotron machines or economic data.

The question is whether Section 28(e) of the Securities Exchange Act of 1934 applies to fixed-income and futures and options trades that generate soft dollars.

The 28(e) safe harbor — which Congress created as a way to pay for independent research when fixed commissions were eliminated in 1975 — allows money managers to "pay up" on commissions for equity trades if a portion of the commission is diverted to pay for research services that help the manager make investment decisions. Research includes economic data and forecasts and certain computer software and hardware.

Private pension funds also direct trades on the fixed-income side, using the credits to pay for custodian, consulting and actuarial fees or to obtain hard-dollar rebates.

Those pension fund uses, however, are not covered by the 28(e) safe harbor but by the Employee Retirement Income Security Act of 1974. The Department of Labor, which enforces ERISA, has not ruled on fixed-income trades. In regard to stock trades, it says such uses of soft dollars are permissible, but warns pension executives to make sure they obtain best execution on their trades.

While proponents of the techniques argue for a broad reading of the 28(e) safe harbor, SEC officials lean strongly against it, although no formal ruling has been issued.

The safe harbor refers specifically to "the amount of commissions." But in a dealer market, such as for bonds or OTC stocks, there is no commission, but a spread. Proponents argue the law also mentions "dealers," and thus does not exclude bond trades.

What's more, the way soft-dollar brokers do their bond trades, the spread is deemed to be a commission under a theory of the "riskless principal transaction," said Tony Newland, a partner in the law firm of Seward & Kissel, New York.

Typically, a potential buyer would call the soft-dollar broker with the type of bond desired. That broker finds a seller, then would have to meet or better the price offered by major brokers before the trade could go through.

Continued on page 54

2 study returns on venture cap

By Trudy Ring

Institutional investors are banding together to develop a system of comparative performance measurement for venture capital funds.

At a recent venture capital conference in New York, pension fund executives, money managers and other investors appointed a two-person committee to work on the project. The two are Tom Judge, division manager at American Telephone & Telegraph Corp., New York, and Bart Holaday, managing director-venture capital at First Chicago Investment Advisors.

AT&T has $443 million of its more than $28 billion defined benefit assets in venture capital, while First Chicago manages more than $500 million in venture capital for clients.

Messrs. Judge and Holaday hope to have a performance measurement proposal ready to present to the National Venture Capital Association, the venture capital trade group, at its meeting next May. The basis for their proposal will be a paper written by Mr. Holaday.

Mr. Judge, Mr. Holaday and other institutional investors have been pushing for venture capital valuation and performance standards for three years.

Mr. Holaday presented his paper at the recent conference, sponsored by the Institute for International Research, New York. It was the same forum at which he broached the idea of comparative performance measurement two years ago (*Pensions & Investment Age*, Aug. 24, 1987).

Since then, some of the opposition from venture capitalists to such measurement has dissipated. "What I'm suggesting is much less than the general partners demand of their portfolio companies," Mr. Holaday said.

Most venture capitalists make interim performance — or, as Mr. Holaday put it, "progress" — statistics available to their limited partners. But while the limited partners are able to compare performance among the funds in which they have invested, there is no central source of industrywide performance information for comparison purposes.

Consulting firms, such as Venture Economics Inc., Needham, Mass., keep performance information on a wide variety of funds, which their clients and others who buy the information can use for comparison. Mr. Judge said, however, the committee's aim is to get data from all venture capital funds.

(Linda Vincent, vice president of Venture Economics, said the firm does not have a full census of venture capital funds, but has a large sample — 40% of the funds formed and 65% of the capital invested since 1970.)

Also, Mr. Judge said, the committee's goal is to make the information available generally and not as a profit-making venture. "Our objective is not to make money," he said. "Our objective is to have the data."

The proposed format for presentation of the data would be similar to one used by Venture Economics, showing year-by-year median returns of all funds formed in a given year. Because of varying market conditions, it's important to compare performance only among funds formed the same year, Messrs. Judge and Holaday said.

Also, once the data base becomes large enough, it will be possible to break out comparisons among types of funds, either by industry concentration or stage of investment. It also will be possible to show not only the median return, but break the returns into

Continued on page 53

Property new turf for MPT

By Andrew Reinbach

Fifteen years after they penetrated stock market investing, modern capital market theories are making themselves felt in real estate investing.

Although the business is dominated by traditionalists, real estate "rocket scientists" are making substantial headway and are expected, eventually, to win as much power as their brethren have in the securities industry.

"What we're trying to do is take real estate portfolio strategy management and make it very objective, very rigorously analyzed, and bring it in line with what's common practice on the stock and bond side," said Susan Hudson-Wilson, vice president of John Hancock Properties Inc., Boston.

Ms. Hudson-Wilson said, essentially, she and her colleagues at other companies are creating a genre of real estate separate accounts with risk/reward characteristics that are customized to an individual investor's portfolio needs.

Ms. Hudson-Wilson does this by forecasting: property returns; risk as defined by the standard deviation of returns; and the covariance of return volatility among property types related to each other across markets on a national basis.

She and her staff then conduct a cluster analysis of properties; these are properties that can be considered substitutes for each other because they have the same forecast and historical behavior.

Continued on page 54

Retiree health-care funding

FASB motion tested

Costs rise, income drops

By Fred Williams

MORRISTOWN, N.J. — Retiree health-care costs increased between two and seven times, and pre-tax income decreased anywhere from less than 2% to more than 20%, for the 26 companies that tested a proposal to change the accounting procedures for post-retirement medical benefits.

The field test showed the effects of switching to accrual accounting — as proposed by the Financial Accounting Standards Board — from the pay-as-you-go method used by most corporations. The test was organized by the Financial Executives Institute through the Financial Executives Research Foundation, and was conducted by Coopers & Lybrand.

Although previous estimates put total unfunded liabilities for retiree medical expenses at between $200 billion and $2 trillion, the field test is the first comprehensive assessment of the impact of the FASB exposure draft.

Younger companies (those with more than six active employees for each retiree) generally had the highest multiples of expense to benefit payments under the FASB proposal.

Two companies reported the FASB proposal would boost expenses by less than twice what they are under current accounting methods; seven companies said expenses would be 2 and 3.9 times what they are now; 10 said expenses would be between 4 and 5.9 times greater; and seven said expenses would be at least 6 times current levels.

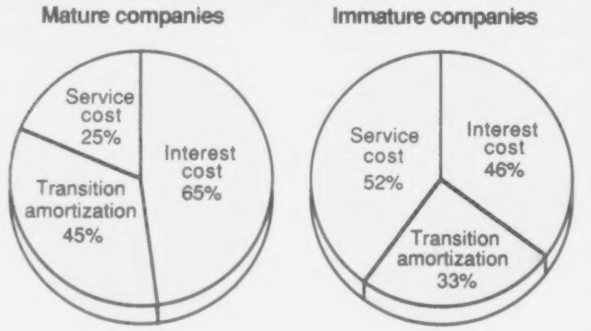
Using the 26 companies' latest financial statements, Coopers & Lybrand found two companies would experience a decrease in pre-tax earnings of less than 2% under the terms of the FASB exposure draft; six a decrease in pre-tax income of between 2% and 3.9%; four, between 4% and 7.9%; three, between 8% and 11.9%; three, between 12% and 15%; three, between 15.1% and 20%; and three, more than 20%.

The higher expenses would "both drive up recorded liabilities and reduce net worth, affecting a company's debt-to-equity and other key ratios," according to a report released with the test results.

"Consequently, some companies could fail to meet restrictive covenants in their debt agreements. In addition, some financial analysts may immediately deduct from net income or stockholders' equity the disclosed, but unrecorded, obligation at the date accrual accounting is adopted in evaluating a company's financial position."

Excluding any tax effects, 10 of the field test companies would experience decreases in net income of between 5% and 19.9%, and five would have more than a 20% decrease in net income.

Components of health benefits expense



Data represent the highest percentages reported among test companies

Size of benefit payment increase under FASB

	Number of companies	
	Mature companies	Immature companies
Less than 2 times	2	NA
2.0 to 3.9 times	7	NA
4.0 to 5.9 times	9	1
Greater than 6 times	4	3

Source: Coopers & Lybrand

Five would experience a decrease in stockholders' equity of 0.5% to 1%; two, a decrease in stockholders' equity of 1.1% to 1.4%; six, between 1.6% and 2%; five from 2.1% and 3%; and four, more than 3%.

The effect on stockholders' equity on other companies likely would be greater than it was for the test companies, which generally are "financially strong, large, mature or highly mature," the report said.

The 26 companies participating in the field test are major U.S. corporations, all with 1988 total revenue of more than $250 million and most with revenue more than $1 billion.

"These are real-life companies with real expenses and problems. If these companies are any indication, most companies will have real problems identifying what their costs are," said Norman Roy, president-elect of the Financial Executives Institute.

"In the real world, most companies will have more difficulty in developing the data on actual medical claims and cost data required to assess their liabilities."

The field test also found information on retiree health plans, demographics, dependency status and medical claims "was unavailable or of poor quality."

Mr. Roy said the FEI supports accrual accounting for retiree medical benefits "in theory," but would like a longer phase-in period. The FASB proposal is scheduled to take effect for fiscal years beginning after Dec. 15, 1991. ■

U.S. officials hit pre-funding means

By Joel Chernoff

WASHINGTON — Members of the Bush administration criticized proposals that would expand employers' ability to pre-fund retiree health liabilities, damaging chances of legislation passing Congress this year.

In testimony before the House Ways and Means Oversight Subcommittee, Treasury and Labor Department officials warned current proposals are inadequate, do not treat retirees equitably and likely would cause severe revenue drains on the government.

Any proposal that does meet with administration approval would have to be accompanied by pension-law-type standards that could add significant liabilities onto employers' books, something that business strenuously opposes.

Pension experts, however, do not think the issue is dead if proposals can be shown to boost federal tax revenue, at least in the short run, and if the issue is tied into legislation affecting asset reversions from terminated pension plans.

"If there's a revenue gain, Congress may take it," said Mark Ugoretz, executive director of the ERISA Industry Committee, a Washington lobbying group.

At the June 14 hearing, a General Accounting Office executive estimated employer liabilities for retiree medical obligations at $227 billion as of 1988. Adding in employer savings stemming from legislation expanding Medicare benefits passed last year, the estimate drops to $197 million, according to the GAO.

"If the nation's employers had started advance-funding these accrued liabilities in 1988, their first-year funding costs would have been $28 billion," about three times their 1988 pay-as-you-go costs of $9 billion, Lawrence H. Thompson, an assistant comptroller for the GAO, told the panel.

The Department of Labor, which had estimated employer liabilities at $98 billion in 1983, now says they run between $200 billion and $300 billion.

Employer groups and legislators are pressing several options to allow companies to pre-fund at least a portion of their retiree medical obligations, but they ran into a wall of resistance at the hearing.

Administration officials raised a host of objections to current proposals. They argued the concept of permitting pre-funding for retiree health liabilities needs to be evaluated in the context of a wide range of issues, including the role of Medicare and Medicaid, the appropriate use of tax incentives, what protections should be provided for employees and health care cost issues.

But the most fundamental issues might be whether additional tax incentives should be used to support employer-provided retiree health plans, or whether tax benefits should be provided to all retirees, regardless of their employer, said Kenneth W. Gideon, the Treasury Department's assistant secretary for tax policy.

Only a minority of employers provide retiree medical benefits, he noted. Expanding tax incentives for employer-sponsored programs "would not necessarily ensure that others receive any benefits, thus potentially expanding inequities between those individuals whose employers choose to take advantage of the tax incentives and those whose employers do not," he said.

Mr. Gideon also registered strong opposition to adding tax incentives to pre-fund retiree medical benefits for those retiring prior to age 65.

A disproportionate share of retiree-health liabilities stems from pre-65 retirees; after that time, Medicare kicks in as the primary health insurance vehicle, thus taking the pressure off employer-provided plans.

"Such early retirement benefits are especially expensive to prefund and thus tend to spend down overall savings that might better be reserved for later years when earning capacity is more likely to be reduced," he said.

"We do not believe that it is appropriate for the tax system to provide additional tax incentives for early retirement benefits."

Government officials also questioned the revenue and fairness implications of an industry-sponsored proposal that would permit employers to transfer a portion of their surplus pension assets to a retiree medical trust.

Such a "limited proposal" would raise about $6 billion in federal tax revenue between 1988 and 1992, according to John E. Stair Jr., a manager in E.I. du

Continued on page 51

Survival of 401(h) doubted

By Joel Chernoff

WASHINGTON — Congress might shut the door on a recently expanded funding vehicle for retiree health liabilities, according to pension experts.

If a move is made to close off pre-funding, it would come at a time when employers are pressuring Congress to deliver new ways of pre-funding retiree health obligations. The General Accounting Office estimates employer liabilities at $197 billion as of 1988 (*see related story*).

At issue are so-called 401(h) accounts, which are separate accounts contained within qualified retirement plans that can be dedicated to paying retiree medical benefits.

Under recent private letter rulings, the Internal Revenue Service enhanced employers' ability to pre-fund retiree health liabilities through 401(h) accounts.

Previously, an employer could put up to 25% of the pension plan's annual contribution into the 401(h) account, but contributions have been restricted severely as many pension plans have become fully funded. But the IRS rulings said an employer could contribute up to 25% of the plan's cumulative cost since the time the 401(h) feature was added, regardless of the size of the contribution (*Pensions & Investment Age*, May 1).

The Department of Treasury estimates that, if employers take advantage of the rulings, 401(h) accounts ultimately will cost the government about $500 million a year in lost revenue. Congress is attempting to come up with $5.3 billion in new revenue as part of the budget-reconciliation process.

The newness of the rulings makes them more vulnerable. "It's always easier to take away something (people) didn't think they had three months ago," said Kent Mason, an attorney with the law firm of Caplin & Drysdale, Washington, and a former staff member on the Joint Committee on Taxation.

Dallas Salisbury, president of the Employee Benefit Research Institute, Washington, said employers "should not be sur-

Continued on page 52

Fed's overdraft proposal criticized

By Fred Williams

A Federal Reserve Board proposal to charge banks that are overdrawn on their accounts with the central bank on an intraday basis will increase wire transfer costs and/or delay transfers of funds, cash management industry experts say.

If adopted, the Fed estimates as many as 250 banks will pay a total of about $40 million a year in such charges, and the costs likely will be passed on to the banks' customers.

The proposal is the latest in a 10-year series of moves by the Fed to reduce risks in the payments system. The Federal Reserve's daily aggregate credit exposure averages $110 billion.

A daylight overdraft occurs when a bank using the Fedwire system transfers out more money than it has received or more than it has in its reserve account at the Fed.

The Fed is proposing to charge banks for the daily amount of their Fedwire overdrafts at the rate of 25 basis points annually, or $6.85 per day for each $1 million of average overdrafts in excess of a deductible equal to 10% of the bank's capital equivalency. Pricing for daylight overdrafts would be phased in during a three-year period, starting in 1991.

Sources say the proposal is an extension of the Fed's imposition of net debit caps on daylight overdrafts in 1987, rather than an admission by the Fed that the caps have not functioned as anticipated.

But bankers, cash management consultants and corporate treasury executives agree the Fed proposal is fraught with uncertainties over implementation. Banks do not have the systems to accurately measure each customer's contribution to its overdraft, thus there is no generally accepted method of charging individual customers that might have contributed to the overdraft.

"Corporate people will have to be careful and take their banks to the well on this. How do they know if they have a daylight overdraft? Banks don't have the capability to monitor that. The question is: How do you monitor when the bank has received your money and posted it to your account? It could be an opportunity for banks to start charging people for smoke and mirrors because it is very difficult for them to monitor," said Ray Ruzek, former executive director of the National Corporate Cash Management Association and now a consultant with Ruzek & O'Malley, Newtown, Conn.

Jack Meckler, executive vice president of UAI Technology, a Research Triangle Park, N.C., cash management research firm, said banks that incur the charge will pass the costs on to corporate financial departments in the form of higher prices for wire transfers.

"It is a source of concern. I don't think a bank can tie its charges from the Fed for overdrafts to individual customers. If a bank wants to recoup some of its money from its customers, it must set up a program that will charge companies when they are in a daylight overdraft, regardless of how much the bank is in overdraft to the Fed."

He said banks most likely will increase the cost of wire transfers by a certain amount "so the amount is equal to the amount they pay the Fed."

Some sources have been critical of what they consider already excessive charges for wire transfers by banks. According to the Blue Book of Bank Prices, published by Phoenix-Hecht, a division of UAI Technologies, the average list price of an outgoing automated non-repetitive wire transfer is $7.83, while the Fed charges banks only 55 cents to 60 cents for the service.

The other concern, said Mr. Meckler, is banks might delay certain wire transfers to try to avoid incurring an overdraft or charge a premium for those wire transfers requiring immediate attention.

Robert Kelderhouse, vice president of banking and cash management at Heller Financial Corp., Chicago, and chairman of the NCCMA's subcommittee on payment systems, said "we contend that most banks have neither the ability to accurately measure daylight overdrafts nor the ability to timely apply all the transactions of a corporation so they can be accurately charged."

"Our concern is how banks are going to choose to interpret this. Our banks have responded all across the board. Some say they won't charge because they can't determine how much to charge. Others may say they will have an additional cost that they can't measure so they may put a price increase in for wire transfers. Others would elect to charge for an intraday loan on the overdraft, but how much and on what basis?" Mr. Kelderhouse said.

He said the NCCMA probably will not formulate a response before August.

Bank cash management officials are not happy about the Fed proposal, either.

"I don't see this as being a real deterrent to daylight overdrafts," said Richard Ercole, senior vice president at Security Pacific National Bank, Los Angeles. "I don't see banks changing their practices. The Fed is trying to protect itself by passing on the risk to banks. The Fed should do what banks do and extend (intraday) credit only to those clients creditworthy enough to deserve it." ■

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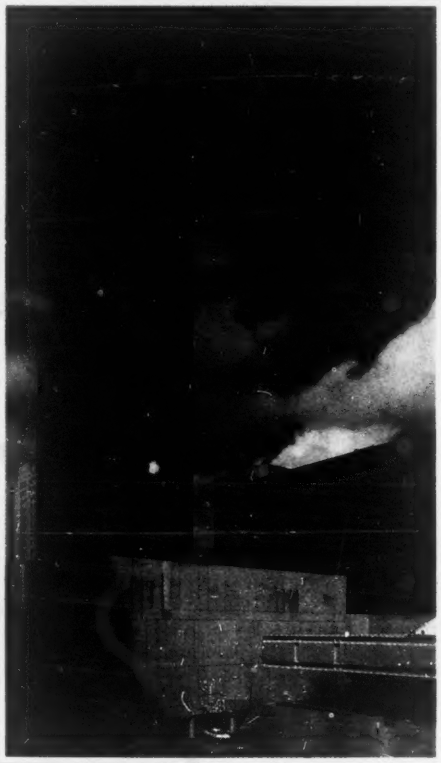

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CORRECTIONS & CLARIFICATIONS

• In the May 15 issue, *Pensions & Investment Age* incorrectly reported the median five-year compound annual return for equity portions of balanced funds in the SEI Funds Evaluation Services Universe. The correct return was 17.4%.

• It was incorrectly reported June 12 that buyers of Carl Icahn's 42.3 million shares of Texaco stock would receive an $8 special dividend. The timing of the stock sale resulted in Mr. Icahn receiving the first of the two $4 dividends. Buyers of Mr. Icahn's shares will be entitled only to the second $4 special dividend.

50 LARGEST INTERNATIONAL MANAGERS

Foreign boom returns

Global assets fuel 26% growth

By Curtis Vosti

A 46.4% spurt in global assets under management for U.S. tax-exempt clients fueled the year's growth among the top 50 managers in the annual *Pensions & Investment Age* survey of international/global managers.

Total U.S. discretionary tax-exempt assets in international/global accounts managed by the Top 50 money managers grew 25.9%, to $60.263 billion as of March 31, up from $47.865 billion in 1988. The next 50 managers reported a total of $6.073 billion in international/global assets under management.

In a switch from last year's survey, assets earmarked for equities this year outpaced those for fixed income among the Top 50.

Global mandates — which allow investments in U.S. markets — rose 46.4% to $13.89 billion from the $9.49 billion reported as of March 31, 1988. International investments, which do not allow U.S. investments, increased 20.8% among the Top 50, to $46.372 billion from $38.374 billion.

The 25.9% increase for all international and global assets under management is almost six times the increase reported a year earlier, when the shock of the market crash prompted a withdrawal of some international investments and delayed nervous new investors from entering the market.

According to Duncan Fordyce, senior vice president of InterSec Research Corp., Stamford, Conn., net cash flows to international/global accounts increased dramatically in the year ended March 31 because of a slowdown in "clawbacks," or partial withdrawals of international assets because of allocations that had grown, through performance gains, beyond sponsors' targets. Other analysts said the shock of the October 1987 crash resulted in many funds delaying international and global manager searches until after March 31, 1988, after they sorted out the benefits of diversification across international markets.

While some of the increase for the year ended March 31 can be attributed to performance — the Morgan Stanley Capital International Europe Australia Far East Index returned 11.9% for the period and the FT-Actuaries Europe/Pacific Index returned 11.23% — many managers say the increase in assets seems to signal a return to the optimism of pre-crash years.

This year, global investments accounted for 23% of all international/global assets reported by the Top 50, up from last year's 19.6%.

"For those already in international, global investing is the next logical step," said Toby Westbrook, vice president of international consulting services for Callan Associates Inc., San Francisco.

First Chicago Investment Advisors, Chicago, showed a whopping 571% increase, to $778 million from $116 million, in its global assets under management.

"In the last half a year, we've seen a dramatic increase in the number of people who prefer a global mandate," said Richard Carr, managing director for First Chicago. "They are giving the managers freedom to escape back to the United States when international markets don't look attractive."

PCM International reported a 59.3% increase in its global fixed-income assets under management, to $903 million, making it the leader in that category.

According to Barry Gillman, managing director, the growth was due mainly to institutional investors who already had gone international for diversification purposes but now were prompted by the prospect of added value returns.

He said the move toward global investing also was encouraged by the fact that U.S. fixed income outperformed non-U.S. fixed income for the first time in three years. "That has slowed the interest in non-U.S. fixed income," Mr. Gillman said.

For the year ended March 31, the Salomon Brothers U.S. Government Bond Index returned 4.72%, and for the first quarter 1989, it returned 1.17%. In comparison, fon the respective time periods, the Salomon Brothers Non-U.S. Dollar Government Index returned −4.64% and −5.82%.

And as newer investors entered the market, they tended to invest in international equities.

"If you are a new (international) investor, the first place you go is equities," said Callan's Mr. Westbrook.

The growth of international/global equity assets under management exceeded the growth in international/global fixed-income investments from a year earlier.

As of March 31, international equities under management among the Top 50 totaled $39.626 billion, and global equity accounts amounted to $7.155 billion. The total, $46.781 billion, was up 22.2% from the amount in international and global equities under management a year ago.

International fixed-income assets under management as of March 31 totaled $5.902 billion among the Top 50, while $5.015 billion was in global fixed income. The total, $10.917 billion, is up 13.5% from the amount reported a year ago.

The Salomon Brothers World Government Bond Index returned −0.62% for the year ended March 31.

Last year, fixed-income assets increased 41% from the year earlier, while equities posted a 2% decline.

(An additional $1.809 billion was reported to be invested in international and global balanced accounts as of March 31; one firm reported $55 million in cash; and another did not break its $700 million in assets into fixed and equity categories.)

As it did last year, State Street Bank and Trust Co., Boston, led the way with $5.584 billion in international/global assets under management, up 36.4% from $4.031 billion a year ago.

Among other leaders, Capital Guardian Trust Co., Los Angeles, jumped to second place from third, reporting $3.455 billion, up from $2.701 billion; First Chicago moved to third from fifth; and Batterymarch Financial Management, Boston, jumped to fourth place this year from last year's ninth, reporting $2.552 billion up from $1.96 billion.

J.P. Morgan Investment Management Inc., London, dropped to fifth from second, with a drop in international/global assets under management to $2.449 billion from $2.726 billion. John Baumann, Morgan vice president, attributed the slight drop to two of its clients switching international assets to Morgan's domestic management.

One of the biggest gainers was Boston International Advisors Inc., Boston, which posted a 356% increase in international/global assets under management, to $826 million. The firm jumped to 25th from 47th in the rankings.

David Umstead, managing director, said most of that increase was from pension funds who hired Boston International after terminating other managers.

"It was a reaction from five years in a row in which the median manager underperformed the international indexes," Mr. Umstead said.

Yet the pension funds were still willing to bet on Boston International — primarily an active manager — because the median returns, while underperforming the index, were still superior to the returns available from domestic investments, according to Lyle Davis, president. ▪

Top 50 managers ranked by combined international and global account assets

	U.S. $ mils.
1. State Street Bank	5,584
2. Capital Guardian	3,455
3. First Chicago	2,933
4. Batterymarch	2,552
5. J.P. Morgan	2,449
6. Morgan Grenfell	2,404
7. Baring Int'l	2,383
8. Templeton Int'l	2,249
9. GE Investments	2,174
10. Rowe Price-Fleming	2,115
11. Grantham, Mayo	2,111
12. Wells Fargo	1,954
13. Schroder Capital	1,900
14. WorldInvest	1,648
15. Warburg Investment	1,533
16. Nomura Capital	1,529
17. Chase Investors	1,227
18. PCM Int'l	1,217
19. Oechsle Int'l	1,084
20. TCW Global	1,012
21. Fidelity Int'l	1,000
22. N.M. Rothschild Int'l	971
23. Bankers Trust	922
24. Dimensional Fund	885
25. Boston Int'l	826
26. Alliance Capital	804
27. Scudder, Stevens	791
28. Posthorn Global	708
29. Mercator Asset*	700
30. Discount Corp./N.Y.	650
31. IDS Int'l	624
32. Julius Baer	623
33. Mellon-Pictet Int'l	580
34. Kemper-Murray	550
35. Brown Brothers*	515
36. Fiduciary Trust*	505
37. Daiwa Int'l	482
38. Arnhold/Bleichroeder	480
39. Hill Samuel/Investment	403
40. G.T. Capital	394
41. Phillippe Investment	386
42. Nikko Capital	380
43. Capital Research	360
44. Wellington Mgmt.	349
45. SBC Portfolio	342
46. Citicorp Investment	338
47. Globe Finlay	330
48. Capital Mgmt. Int'l	297
49 County NatWest*	280
50. ANB Investment	275
TOTAL	60,263

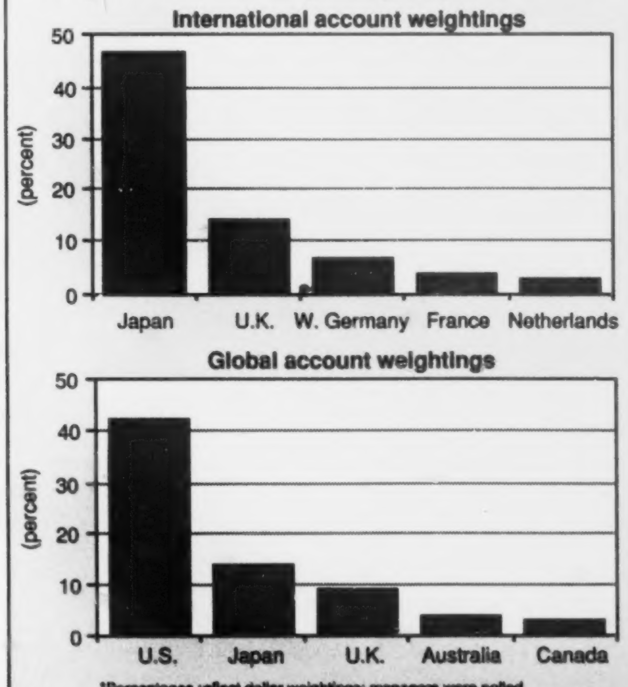
* as of Dec. 31, 1988
Ranking is based on U.S., institutional, discretionary, tax-exempt assets managed

Manager of managers

	U.S. $ mils.
Strategic Investment Partners	755
Frank Russell Trust	325
John Hancock Financial	15

* Ranking is based on U.S., institutional, discretionary, tax-exempt assets managed

Japan, U.S. top equity draws*



*Percentages reflect dollar weightings; managers were polled for top five country weightings only

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A

Alliance Capital Ltd.
43 Upper Grosvenor, London W1X
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Total assets managed	$3,289,000,000
Non-U.S. pension assets	$1,433,000,000
U.S. tax-exempt assets	$804,000,000
International	$786,000,000
Global	$18,000,000
U.S. tax-exempt clients	15
Minimum separate account	$10,000,000

Alliance Capital Ltd., a subsidiary of Alliance Capital Management LP, managed $786 million in international equity and $14 million in global equity accounts for U.S. tax-exempt clients as of March 31.

The international equity assets were committed most heavily to Japan, the Netherlands, West Germany, the U.K. and Canada.

The global equity assets were committed most heavily to the U.S., Japan, the U.K., the Netherlands and West Germany.

The firm also managd $4 million in global fixed income.

The firm had in $150 million in commingled accounts invested abroad and $332 million in index funds invested abroad.

The firm has an active, growth-oriented investment philosophy. The firm applies research to the early recognition of fundamental change, leading to the identification of investment opportunity through undervalued markets, currencies, industries and economic sectors.

The firm uses non-U.S. currency hedging through forward contracts.

Of the international/global U.S. tax-exempt assets managed, $472 million is actively managed and $332 million is managed passively. It manages $1.15 billion in U.S. markets for non-U.S.-based clients.

Analysts or portfolio managers are stationed in London, New York and Tokyo.

The firm has been registered with the SEC since 1971.

Dave Williams is chief executive officer; Carol Zipkin, in New York at (212) 969-1004, is client contact for passive management; Philip Douglas is client contact for active management.

ANB Investment Management Co.
1 N. LaSalle St., Suite 600, Chicago,
Ill. 60690; (312) 661-5586

Total assets managed	$11,788,000,000
U.S. tax-exempt assets	$10,782,000,000
International	$275,000,000
U.S. tax-exempt clients	644

ANB Investment Management Co., a subsidiary of American National Corp., managed $275 million in international equity as of March 31.

The assets were committed most heavily to Japan, the U.K., France, West Germany and the Netherlands.

The firm offers a passively managed fund, designed to replicate the performance of the EAFE Index. All the international assets are managed passively.

Analysts or portfolio managers are stationed in Chicago.

The firm has been registered with the SEC since 1988.

Jack Tilton is chief executive officer; Ken Sobolewski is client contact.

The foreign business survey will be published July 24.

B

Julius Baer Investment Management Inc.

330 Madison Ave., New York, N.Y.
10017; (212) 949-9055

Total assets managed	$655,000,000
Non-U.S. pension assets	$10,000,000
U.S. tax-exempt assets	$623,000,000
International	$572,000,000
Global	$51,000,000
U.S. tax-exempt clients	12
Minimum separate account	$10,000,000

Julius Baer Investment Management Inc., a subsidiary of Bank Julius Baer, managed $37 million in international equity, $524 million in international fixed-income and $11 million in international balanced accounts for U.S. tax-exempt clients as of March 31.

The equity assets were committed most heavily to Japan, the U.K., France, the Netherlands and West Germany.

As of the same date, it had $51 million in global fixed-income accounts.

The firm had $11 million in mutual funds invested abroad.

The firm applies fundamental analysis to monetary and economic forces worldwide to add value to the domestic portfolio for both our equity and fixed-income products. The firm is an active country/currency allocators, stressing strong, stable countries and currencies, as well as emphasizing top-quality issues.

The firm hedges back to the U.S. dollar and cross currency, using forward contracts.

All international/global U.S. tax-exempt assets are actively managed.

Analysts or portfolio managers are stationed in London and Zurich.

The firm has been registered with the SEC since 1983.

Peter Widmer is chairman; Jennifer Leff is client contact.

Bankers Trust Investment Management Ltd.

1 Appold St., Broadgate, London
EC2A 2HE, U.K.

Total assets managed	$75,145,000,000
Non-U.S. pension assets	$1,890,000,000
U.S. tax-exempt assets	$69,34[illegible]
International	$781,[illegible],000
Global	$141,000,000
U.S. tax-exempt clients	269
Minimum separate account	$10,000,000

Bankers Trust Investment Management Ltd., a subsidiary of Bankers Trust Co., managed $781 million in international equity and $141 million in global fixed-income as of March 31.

The international equity assets were committed most heavily to Japan, the U.K, West Germany, Switzerland and the Netherlands.

Of assets invested abroad, the firm had $388 million in commingled accounts and $214 million in index funds.

Bankers Trust's active equity approach is top-down, using macroeconomic analysis to select countries, sectors and companies that sustain above-average relative growth. Its passive equity style uses quantitative resources for optimal mix, while replicating benchmark and minimizing trading costs. Its fixed-income approach is active, managing non-U.S. bond exposure while fully hedged back into U.S. dollars.

The firm uses non-U.S. currency hedging.

Of the international/global U.S. tax-exempt assets managed, $341 million is actively managed and $581 million is passively managed. It manages $3.798 billion in U.S. markets for non-U.S.-based clients.

Analysts or portfolio managers are stationed in New York, London, Tokyo, Hong Kong, Sydney and Zurich.

The firm has been registered with the SEC since 1982.

H. Kent Atkins, executive vice president, is chief executive officer; Lynne S. Minard is client contact in New York at (212) 850-2082.

Baring International Investment Ltd.

9 Bishopsgate, London EC2N 3AQ
U.K.; 01-623-5264

Total assets managed	$2,570,000,000
Non-U.S. pension assets	$187,000,000
U.S. tax-exempt assets	$2,383,000,000
International	$2,383,000,000
U.S. tax-exempt clients	34
Minimum separate account	$20,000,000

Baring International Investment Ltd., a subsidiary of Baring Asset Management, managed $1.954 billion in international equity and $429 million in international fixed-income for U.S. tax-exempt clients as of March 31.

The equity assets were committed most heavily to Japan, the U.K., West Germany, Hong Kong and Switzerland.

The firm had $343 million in commingled accounts invested abroad.

The firm offers a range of equity and fixed-income products. It will significantly deviate from the index and switch between markets, taking advantage of relative values. The firm has expertise in regional markets.

The firm uses forward contracts for non-U.S. currency hedging.

Of the international/global U.S. tax-exempt assets managed, $2.163 billion is actively managed with the remainder in active/passive strategies.

Analysts or portfolio managers are stationed in London, Tokyo, Hong Kong, Sydney and Seoul.

The firm has been registered with the SEC since 1980.

Peter S. Hartley, managing director, is chief executive officer; John F. McNamara is the client contact in Boston at (617) 357-9074.

Batterymarch Financial Management

600 Atlantic Ave., Boston, Mass.
02210; (617) 973-9300

Total assets managed	$9,647,000,000
U.S. tax-exempt assets	$8,598,000,000
International	$1,391,000,000
Global	$1,161,000,000
U.S. tax-exempt clients	72
Minimum separate account	$10,000,000

Batterymarch Financial Management managed $1.391 billion in international equity and $1.161 billion in global equity accounts for U.S. tax-exempt clients as of March 31.

The international equity assets were committed most heavily to Japan, the U.K., Canada, France and West Germany.

The global equity assets were committed most heavily to the U.S., Japan, the U.K., Canada and France.

The firm had $276 million in commingled accounts invested abroad.

The firm uses an integrated database of nearly 3,000 companies for its computer-driven strategies, seeking value not reflected in market prices. One strategy analyzes a company as another corporation would in seeking an acquisition; the other applies selected market factors. Stocks are purchased in 19 markets through an automated trading system.

All of the international/global U.S. tax-exempt assets are actively managed.

Analysts or portfolio managers are stationed in Boston.

The firm has been registered with the SEC since 1969.

Dean LeBaron is chief executive officer; William H. Yankus, trustee and director of marketing, is client contact.

Arnhold and S. Bleichroeder International

45 Broadway, New York, N.Y. 10006;
(212) 943-9200

Total assets managed	$510,000,000
U.S. tax-exempt assets	$480,000,000
International	$480,000,000
U.S. tax-exempt clients	12
Minimum separate account	$20,000,000

Arnhold and S. Bleichroeder International, a subsidiary of Arnhold and S.

Value-Added Investments:
B.I.G. Insured Municipal Bonds.

1976 Mercedes-Benz. Original sticker price: $21,709. Thirteen years and 150,000 miles later, it's still driven by its original owner, and still an exceptional value.

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What does a 1976 Mercedes-Benz have in common with a municipal bond insured by Bond Investors Guaranty? Exceptional value. Smart buyers and smart investors recognize exceptional value when they see it. Whether it's in a fine car or in a superior investment like Bond Investors Guaranty insured municipal bonds.

Exceptional value like the security, marketability and confidence that investors get with BIG insured municipal bonds.

The security of knowing bondholders receive an unconditional, noncancellable guaranty for the life of the bond, assuring the timely payment of principal and interest.

Marketability that assures investors of unsurpassed trading value should they wish to sell their insured bonds.

And, the confidence of having Bond Investors Guaranty Insurance Company behind each bond: a company with Aaa/AAA ratings from both Moody's and Standard & Poor's; the strongest ratio of net-risk-insured-to-claims-paying ability among the Aaa/AAA municipal bond insurers; a highly conservative, diversified portfolio of insured bonds and the highest caliber reinsurers.

All this combined with the fact that BIG insured bonds usually provide higher yields than uninsured Triple-A municipal bonds gives investors the confidence of value-added investing with a market leader.

It all adds up to long-term value; the kind of value needed in a volatile investment environment.

BOND INVESTORS GUARANTY℠

Founding Shareholders: American International Group, Inc. (AIG), Bankers Trust New York Corporation, Government Employees Insurance Company (GEICO), Salomon Inc, Xerox Credit Corporation. Corporate headquarters: 70 Pine Street, New York, NY 10270 (212) 412-7200. Regional offices: San Francisco, Chicago and Orlando. Bond Investors Guaranty is the service mark for Bond Investors Guaranty Insurance Company and Bond Investors Guaranty Services, Inc., NY, NY. ©1989 BIG.

Bleichroeder Inc., managed $480 million in international equity for U.S. tax-exempt clients as of March 31.

The assets were committed most heavily to the U.K., Australia, France, Hong Kong and West Germany.

The firm's investment approach is to select securities, not countries. It evaluates the fundamental criteria of a company and compares absolute and relative price earnings and price cash flow. It targets a 50% rate of return over a 12- to 24-month time horizon for each of the 30 selected stocks in each portfolio.

The firm uses non-U.S. currency hedging.

All of the international U.S. tax-exempt assets are actively managed.

Analysts or portfolio managers are stationed in New York.

The firm has been registered with the SEC since 1940.

Howard B. Moss, vice president and senior portfolio manager, is chief executive officer; Frederic C. Reynolds, director of marketing, is client contact.

Boston International Advisors Inc.

1 Liberty Square, Boston, Mass.
02109; (617) 574-9050

Total assets managed	$864,000,000
Non-U.S. pension assets	$19,000,000
U.S. tax-exempt assets	$826,000,000
International	$798,000,000
Global	$28,000,000
U.S. tax-exempt clients	15
Minimum separate account	$25,000,000

Boston International Advisors Inc. managed $798 million in international equity and $28 million in global equity accounts for U.S. tax-exempt clients as of March 31.

The international equity assets were committed most heavily to Japan, the U.K., France, Italy and Australia.

The global equity assets were committed most heavily to Japan, the U.S., the U.K., France and Italy.

The firm had $119 million in commingled accounts and $282 million in index funds invested abroad.

The firm, an equity manager, uses quantitative value techniques to allocate among the EAFE markets and to select stocks within those markets. The firm also manages custom index funds.

The firm uses foward currency contracts to partially hedge 5% of its index fund assets.

Of the forward U.S. tax-exempt assets managed, $468 million is in active strategies, $270 million is in passive strategies and $88 million is in active/passive strategies.

Analysts or portfolio managers are stationed in Boston.

The firm has been registered with the SEC since 1987.

Lyle Davis, managing director, is chief executive officer; Jennifer Dunning is client contact.

Consultants directory: Nov. 13.

Brown Brothers Harriman

59 Wall St., New York, N.Y. 10005;
(212) 483-1818

Total assets managed	$12,740,000,000
Non-U.S. pension assets	$168,000,000
U.S. tax-exempt assets	$5,951,000,000
International	$515,000,000
U.S. tax-exempt clients	303
Minimum separate account	$5,000,000

Brown Brothers Harriman & Co. managed $497 million in international equity and $18 million in international fixed-income accounts for U.S. tax-exempt clients as of Dec. 31.

The equity assets were committed most heavily to Japan, the U.K., West Germany, France and Hong Kong/Singapore/Malayasia.

The firm is a growth-oriented investor with an objective of long-term capital appreciation. It also applies a relative valuation discipline to market and stock selections. Emphasis is on investments in countries whose growth rates are likely to be greater than the U.S. and where the political background and economic factors favor continuation of business development and expansion.

The firm uses non-U.S. currency hedging, involving 10% of assets. Hedging is done through forward contracts and currency options; the firm also holds reserves as dollars.

All of the international U.S. tax-exempt assets are actively managed. The firm manages $1.433 billion in U.S. markets for non-U.S.-based clients.

Analysts or portfolio managers are stationed in New York, London, Paris, Zurich and Tokyo.

Elbridge T. Gerry Jr. is chief executive officer; Paul A. Legvold is client contact.

C

Capital Guardian Trust Co.

333 S. Hope St., Los Angeles, Calif.
90071; (213) 486-9200

Total assets managed	$3,684,000,000
Non-U.S. pension assets	$196,000,000
U.S. tax-exempt assets	$3,455,000,000
International	$3,153,000,000
Global	$302,000,000
U.S. tax-exempt clients	31
Minimum separate account	$10,000,000

Capital Guardian Trust Co., a subsidiary of The Capital Group, managed $3.073 billion in international equity and $80 million in international fixed-income accounts for U.S. tax-exempt clients as of March 31.

The international equity assets were committed most heavily to Japan, the U.K., West Germany, Australia and Hong Kong.

As of the same date, it had $229 million in global equity, $32 million in global fixed-income and $41 million in global balanced accounts.

The global equity assets were committed most heavily to the U.S., Japan, the U.K., West Germany and Australia.

The firm had $629 million in commingled accounts invested abroad.

Its investment approach is fundamental value-oriented, based on thorough, detailed research supported by direct management contacts. An additional focus is provided by portfolio managers and analysts with country or area economic, political and social overview responsibilities.

The firm uses non-U.S. currency hedging on about 3% of U.S. assets, largely as mandated by client guidelines. Sell forward hedging is used.

All of the international/global U.S. tax-exempt assets are actively managed. It manages $79 million in U.S. markets for non-U.S. based clients.

Analysts or portfolio managers are stationed in Los Angeles, San Francisco, New York, Washington, Geneva, London, Hong Kong, Singapore and Tokyo.

Richard C. Barker, president, is chief executive officer; John H. Seiter, senior vice president, is client contact.

Capital Management International of Deutsche Bank

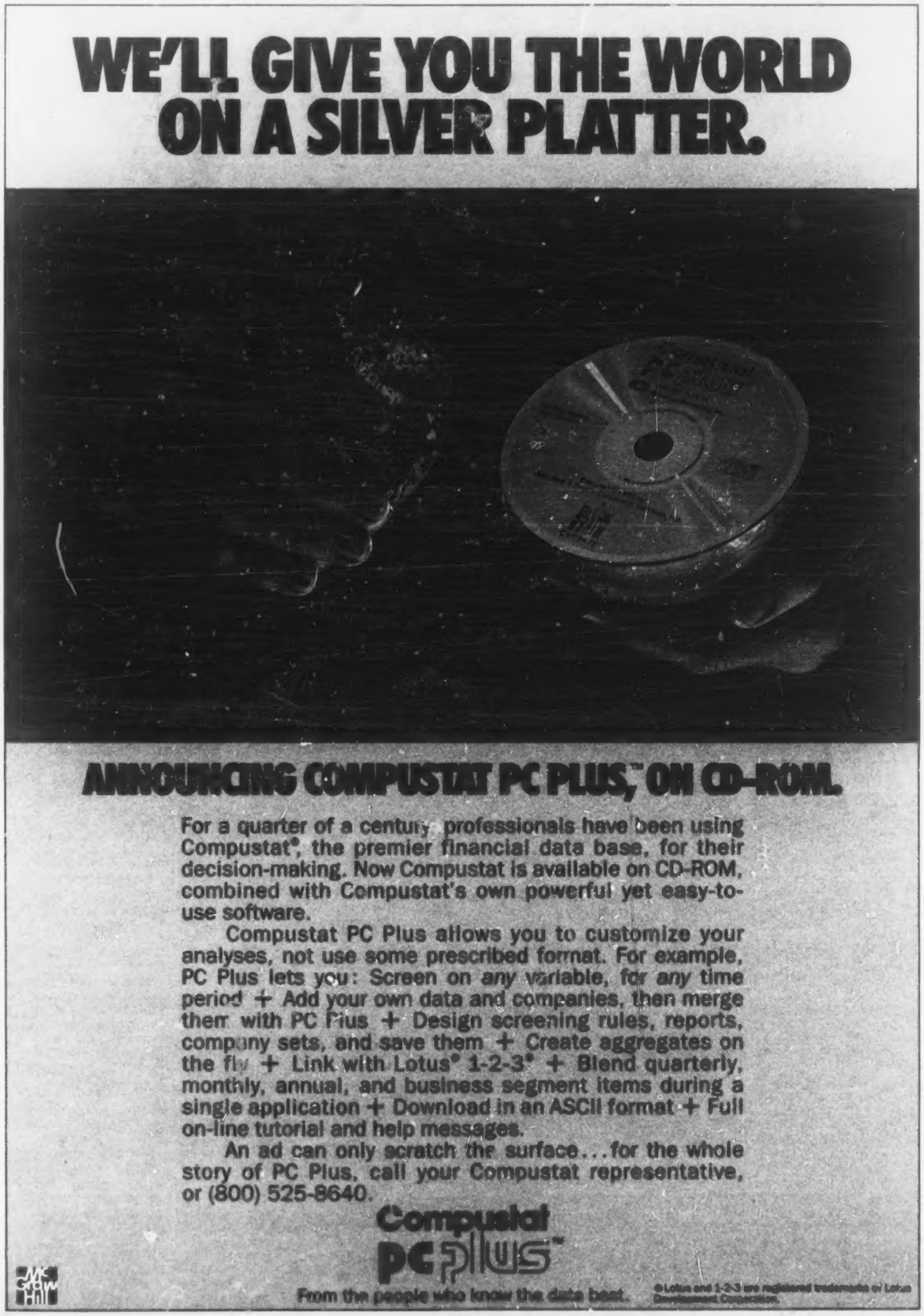
9 W. 57th St., New York, N.Y. 10019;
(212) 832-1630

Total assets managed	$2,352,000,000
Non-U.S. pension assets	$180,000,000
U.S. tax-exempt assets managed	$297,000,000
International	$268,000,000
Global	$29,000,000
U.S. tax-exempt clients	6
Minimum separate account	$10,000,000

Capital Management International of Deutsche Bank, a subsidiary of Deutsche Bank AG, managed $27 million in international equity and $241 million in international fixed-income accounts for U.S. tax-exempt clients as of March 31.

The international equity assets were committed most heavily to Japan, France, West Germany, the U.K. and the Netherlands.

As of the same date, the firm had



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$25 million in global fixed-income accounts and $4 million in global balanced accounts.

The firm had $2 million in commingled accounts invested abroad.

The firm's equity approach is top-down with emphasis on country and currency allocation based on economic and political fundamentals. Its fixed-income approach gives equal weight to currency and interest rate considerations.

The firm uses non-U.S. currency hedging for 7.7% of its U.S. tax-exempt assets. Hedging is done through forward contracts, options and futures.

All of the international/global U.S. tax-exempt assets are actively managed. The firm manages $160 million in U.S. markets for non-U.S. based clients.

Analysts or portfolio managers are stationed in Frankfurt.

The firm has been registered with the SEC since 1983.

Rudolf Heinz, managing director and chairman-investment policy committee, is chief executive officer; Michael Tintelnot, managing director-Deutsche Bank Capital Management (U.S.A.) Corp., is client contact.

Pensions & Investment Age will publish the foreign business survey in the July 24 issue.

Capital Research & Management Co.

333 S. Hope St., Los Angeles, Calif.
90071; (213) 486-9200

Total assets managed	$22,157,000,000
U.S. tax-exempt assets	$7,395,000,000
International	$98,000,000
Global	$262,000,000

Capital Research & Management Co., a subsidiary of Capital Group Inc., managed $61 million in international equity, $2 million in international fixed income and the remainder in cash for U.S. tax-exempt clients as of March 31.

The international equity assets were committed most heavily to Japan, the U.K., West Germany, Australia and Hong Kong.

As of the same date, it had $213 million in global equity, $9 million in global fixed income and the remainder in cash.

The global equity assets were committed most heavily to the U.S., West Germany, the U.K., Japan and Australia.

The firm had $360 million in mutual funds invested abroad.

The firm is a mutual fund manager. In equities, it uses a value-oriented, fundamental approach. In fixed income, the approach centers on the relationship between interest rates and inflation. Non-U.S. currency hedging is used.

All international/global U.S. tax-exempt assets are actively managed.

Analysts or portfolio managers are stationed in Los Angeles, San Francisco, New York, London, Geneva, Tokyo, Hong Kong and Singapore.

The firm has been registered with the SEC since 1933.

R. Michael Shanahan, principle executive officer, is chief executive officer; Benjamin H. Shattuck, vice president, is client contact.

Chase Investors Management Corp.

1211 Avenue of the Americas, 37th
Floor, New York, N.Y. 10036; (212)
730-3359

Total assets managed	$28,289,000,000
Non-U.S. pension assets	$142,000,000
U.S. tax-exempt assets	$14,700,000,000
International	$1,217,000,000
Global	$10,000,000
U.S. tax-exempt clients	242
Minimum separate account	$10,000,000

Chase Investors Management Corp., a subsidiary of Chase Manhattan Corp., managed $910 million in international equity and $307 million in international fixed-income accounts for U.S. tax-exempt clients as of March 31.

The international equity assets were committed most heavily to Japan, the U.K., the Netherlands, West Germany and Hong Kong.

As of the same date, it had $10 million in global fixed-income accounts.

The firm had $463 million in commingled accounts invested abroad and $776 million in index funds invested abroad.

Chase uses global macroeconomic analysis as the prime determinant of interest rate and currency forecasts. Currency and asset decisions are made independently in active management. Its passive investment style incorporates various international and domestic index products, which can be tailored to specific client needs.

The firm uses non-U.S. currency hedging for up to 5% of assets under management. Primary hedging methods are options and options replication models developed by Chase. Forward exchange contracts also are used.

Of the international/global U.S. institutional tax-exempt assets managed, $451 million is actively managed and $776 is passively managed.

Analysts or portfolio managers are stationed in London.

The firm has been registered with the SEC since 1972.

J. Richard Zecher, president, is chief executive officer; Gail K. Campbell, vice president, is client contact.

Citicorp Investment Management

153 E. 53rd St., 22nd Floor, New York,
N.Y. 10043; (212) 559-9353

Total assets managed	$19,430,000,000
U.S. tax-exempt assets	$338,000,000
International	$302,000,000
Global	$36,000,000
U.S. tax-exempt clients	17
Minimum separate account	$10,000,000

Citicorp Investment Management, a subsidiary of Citicorp, managed $299 million in international equity and $3 million in international fixed-income accounts for U.S. tax-exempt clients as of March 31.

The international equity assets were committed most heavily to Japan, the U.K., West Germany, Switzerland and the Netherlands.

As of the same date, it had $16 million in global equity and $20 million in global fixed-income accounts.

The global equity assets were committed most heavily to Japan, the U.S., the U.K., France and West Germany.

The firm had $85 million in commingled accounts invested abroad.

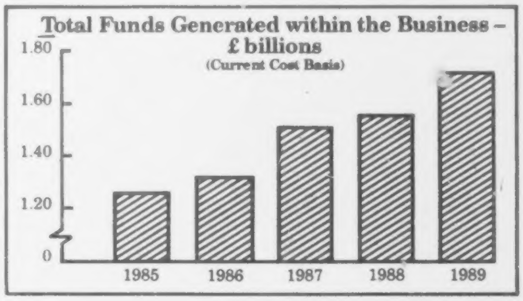
The firm's equity approach is active, based on a combination of a centralized global asset allocation process with security selection completed by local portfolio managers in each of the

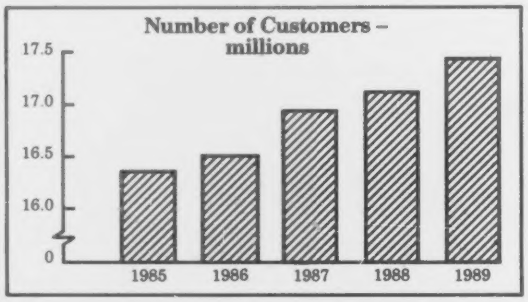
BRITISH GAS PLC
(NYSE: BRG)
Growth Through Financial Strength

Year-End Results (March 31)	1989	1988
Sales (£MM)	7,526	7,364
Profit Before Tax (£MM)	1,333	1,255
Net Profit (£MM)	899	816
Earnings Per Ordinary Share (Pence)	21.2	19.7
Dividend Per Ordinary Share (Pence)	9	8

Exchange Rate ($ to £): 1.5806 as at May 22, 1989

10 ordinary shares equal one American Depositary Share.
Results are on a historic cost accounting basis.





Company Highlights

- Largest Integrated Gas Company in Western World
- AAA S&P Credit Rating
- Market Capitalization as at March 31, 1989: £7,690MM
- Total Assets: £11,433MM
- Shareholders' Equity: £6,949MM
- Gas: Environmentally Preferred Fuel
- Extensive Marketing Organization
- Strong Market Position: Supplied 60% of Domestic Energy Consumed in U.K. in 1988
- Recognized R & D Excellence
- Efficiency and Technological Improvements Helped Reduce Employees by 2,900
- Oil and Gas Acquisitions Worldwide in 1988/89: £468MM

For annual report, fact book, Form-20F, write or call:

Mr. Fredrick J. Fajardo
Gavin Anderson & Company
261 Madison Avenue, New York, N.Y. 10016
(212) 661-8790

British Gas
ENERGY IS OUR BUSINESS

centralized country allocation process and a heavy emphasis on currency and duration management.

All international/global U.S. tax-exempt assets are actively managed.

Analysts or portfolio managers are stationed in London, New York, Tokyo, Sydney, Hong Kong, Zurich, Frankfurt, Vienna and Paris.

The firm has been registered with the SEC since 1972.

Anthony Watson, chief international investment officer, is chief executive officer; John C. Maher is client contact.

County NatWest Investment Management

Fenchurch Exchange, 43/44 Crutched Friars, London EC3N 2NX, U.K.; 01-374-3199 or (212) 440-8661

Total assets managed	$16,767,000,000
Non-U.S. pension assets	$14,727,000,000
U.S. tax-exempt assets	$280,000,000
International	$28,000,000
Global	$252,000,000
U.S. tax-exempt clients	3
Minimum separate account	$15,000,000

County NatWest Investment Management, a subsidiary of National Westminster Bank PLC, managed $28 million in international equity accounts for U.S. tax-exempt clients as of Dec. 31. That money was committed most heavily to Japan, the U.K., Hong Kong, the Netherlands and Australia.

As of the same date, it had $197 million in global equity and $55 million in global balanced accounts.

The global equity assets were committed most heavily to Japan, the U.S., the U.K., the Netherlands and Hong Kong.

The firm's international/global diversification program emphasizes active market allocation implemented through passive stock selection. The process uses the firm's own market-representative index funds. Quantitative techniques are employed to monitor and control risk.

The firm uses forwards, futures, options and dynamic hedging for non-U.S. currency hedging.

Of the international/global U.S. tax-exempt assets managed, $28 million is actively managed and $252 million is managed in an active/passive program. It manages $844 million in U.S. markets for non-U.S. based clients.

Analysts or portfolio managers are stationed in London, Hong Kong, Tokyo, Melbourne and Sydney.

The firm has been registered with the SEC since 1981.

Christine Downton is chief executive officer. Client contacts are Geoffrey Osmint in London and Margaret Waller in New York.

Pensions & Investment Age welcomes letters to the editor.

The editors reserve the right to edit any letter for reasons of space or clarity.

D

Daiwa International Capital Management Corp.

200 Liberty St., New York, N.Y. 10281; (212) 945-0099

Total assets managed	$13,590,000,000
Non-U.S. pension assets	$1,243,000,000
U.S. tax-exempt assets	$482,000,000
International	$482,000,000
U.S. tax-exempt clients	6
Minimum separate account	$5,000,000

Daiwa International Capital Management Corp., a subsidiary of Daiwa International Capital Management Co. Ltd., managed $482 million in international equity accounts for U.S. tax-exempt clients as of March 31.

Assets were committed most heavily to Japan, Singapore/Malaysia, Australia and Hong Kong.

The firm is a research-oriented, active manager, seeking incremental returns from equity investments in the international markets. Stock selection focuses on a company's long-term growth potential and the relative value of its stock price. The firm specializes in the Pacific Basin because of the geographic proximity of its parent company and its cultural understanding of the characteristics of those markets.

The firm uses forwards for non-U.S. currency hedging.

All of the international U.S. tax-exempt assets are actively managed. It manages $238 million in U.S. markets for non-U.S based clients.

Analysts or portfolio managers are stationed in Tokyo, London, New York and Hong Kong.

The firm has been registered with the SEC since 1981.

Yasutaka Kimura is chief executive officer; Jay S. Mancus and John K. Holland are client contacts.

Dimensional Fund Advisors

1299 Ocean Ave., Suite 650, Santa Monica, Calif. 90401; (213) 395-8005

Total assets managed	$5,600,000,000
Non-U.S. pension assets	$336,000,000
U.S. tax-exempt assets	$5,200,000,000
Global	$885,000,000
U.S. tax-exempt clients	118

Dimensional Fund Advisors Inc. had $885 million in global equity accounts as of March 31. Of this amount, $368 million is invested internationally.

The global equity assets were committed most heavily to the U.S., Japan, the U.K. and the Continent.

The firm had $15 million in commingled accounts and $353 million in index funds invested abroad.

Dimensional provides access to small-company investing in the major international markets. Its international small-capitalization strategy invests in nine countries and more than 200 issues. The global small-cap strategy is formed by a weighting of U.S. and international issues.

All of the firm's global assets are passively managed. It manages $43 million in U.S. markets for non-U.S. based clients.

Analysts or portfolio managers are stationed in Santa Monica and London.

The firm has been registered with the SEC since 1981.

David G. Booth, chairman and chief executive officer, is client contact.

Discount Corp. of New York Advisers

58 Pine St., New York, N.Y. 10005; (212) 248-8989

Total assets managed	$7,773,000,000
U.S. tax-exempt assets	$7,773,000,000
Global	$650,000,000
U.S. tax-exempt clients	21
Minimum separate account	$50,000,000

Discount Corp. of New York Advisers, a subsidiary of Discount Corp. of New York, had $650 million in actively managed, global fixed-income accounts at March 31. The firm had $144 million in mutual funds invested abroad.

The firm takes a conservative, active approach by changing the risk profile of assets under management to reflect its judgment of the probable direction of interest rates. The management style has three major aspects: team management to define broad investment policy, select specific investments and execute transactions; investments made only in securities with high credit quality and immediate liquidity; and active and defensive management of market risk that results in opportunistic position changes, with cash holdings as a neutral position.

The firm uses non-U.S. currency hedging, involving 3% of assets. Hedging is done through futures, options and forwards.

It manages $132 million in U.S. markets for non-U.S. based clients.

Analysts or portfolio managers are stationed in New York.

The firm has been registered with

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the SEC since 1978.

Patricia Klink is chief executive officer; Barbara D. Fiorito is client contact.

Fidelity International Investment Advisors Ltd.

111 Devonshire St., Boston, Mass.
02109; (617) 570-6330

Total assets managed	$1,500,000,000
Non-U.S. pension assets	$500,000,000
U.S. tax-exempt assets	$1,000,000,000
International	$800,000,000
Global	$200,000,000
U.S. tax-exempt clients	12
Minimum separate account	$20,000,000

Fidelity International Investment Advisors Ltd., a subsidiary of Fidelity International Ltd., actively managed $800 million in international equity accounts and $200 million in global equity accounts for U.S. tax-exempt clients as of March 31.

The international equity assets were committed most heavily to Japan, the U.K., Hong Kong, Italy and Canada. Global equity assets were committed to the same countries, plus the United States.

The firm's geographic and asset allocation decisions are made by a policy group at regularly scheduled meetings. Once assets are allocated by country, stock selection is made by investment managers at the local level.

The firm uses non-U.S. currency hedging on 20% of assets. Forward contracts are used. The firm manages $170 million in U.S. markets for non-U.S. based clients.

Analysts or portfolio managers are stationed in Boston, London, Tokyo, Hong Kong, Sydney and Bermuda.

The firm has been registered with the SEC since 1977.

Walter L. Downey is chief executive officer; William B. Fink, senior vice president, is client contact.

The real estate directory will be published Oct. 2.

F

Fiduciary Trust Co. International

2 World Trade Center, New York, N.Y.
10048; (212) 466-4100

Total assets managed	$9,768,000,000
U.S. tax-exempt assets	$6,741,000,000
International	$95,000,000
Global	$410,000,000
U.S. tax-exempt clients	199
Minimum separate account	$10,000,000

Fiduciary Trust Co. International managed $92 million in international equity and $3 million in international fixed-accounts for U.S. tax-exempt clients as of Dec. 31.

The international equity assets were committed most heavily to Japan, the U.K., Europe and the Far East.

As of the same date, it had $410 million in global fixed-income accounts.

The firm had $6 million in commingled accounts and $67 million in mutual funds invested abroad.

The firm's regional equity specialists follow macroeconomic analysis to select stocks that produce concentrated portfolios in both stocks and markets. Active, high-quality, intermediate-maturity global bond portfolios are constructed using separate bond and currency decisions. Country allocations for equity and bonds vary from index weightings.

The firm uses non-U.S. currency hedging, involving 10% of assets. Hedging is done through forwards, foreign exchange and options.

All of the international/global U.S. tax-exempt assets are actively managed. It manages $35 million in U.S. markets for non-U.S. based clients.

Analysts or portfolio managers are stationed in New York, Los Angeles, London and Geneva.

Lawrence S. Huntington is chief executive officer; George J. Mullen Jr. and E. Belinda Roll are client contacts.

First Chicago Investment Advisors

3 First National Plaza, Suite 0288,
Chicago, Ill. 60670; (312) 232-4100

Total assets managed	$11,529,000,000
Non-U.S. pension assets	$10,000,000
U.S. tax-exempt assets	$10,965,000,000
International	$2,155,000,000
Global	$778,000,000
U.S. tax-exempt clients	19
Minimum separate account	$10,000,000

First Chicago Investment Advisors managed $971 million in international equity and $1.184 billion in international fixed-income accounts for U.S. tax-exempt clients as of March 31.

The international equity assets were committed most heavily to Japan, the U.K., Canada, the Netherlands and Switzerland.

As of the same date, it had $25 million in global equity, $495 million in global fixed-income and $258 million in global balanced accounts.

The firm had $692 million in commingled accounts invested abroad.

The firm actively manages core international equity and fixed-income portfolios. It uses internally developed valuation models, risk systems and other quantitative techniques in a structured decision process. The equity approach is value-oriented and identifies mispriced markets and securities. Fixed income is treated as a separate asset class, with interest rate and currency forecasts integrated into strategic forecasts.

The firm uses non-U.S. currency hedging, involving 10% of international equity and 25% of international bonds. Hedging is done through forward contracts and currency options.

Of the international/global U.S. tax-exempt assets managed, $2.543 billion is actively managed and $390 million is actively/passively managed. It manages $96 million in U.S. markets for non-U.S. based clients.

Analysts or portfolio managers are stationed in Chicago, London and Tokyo.

Gary P. Brinson is president and chief executive officer; Edward C. Hamill is client contact.

G

GE Investments

P.O. Box 7900, 3003 Summer St.,
Stamford, Conn. 06904; (203)
326-2300

Total assets managed	$31,300,000,000
U.S. tax-exempt assets	$23,453,000,000
International	$2,174,000,000
U.S. tax-exempt clients	21
Minimum separate account	$10,000,000

GE Investments, a subsidiary of GE Co., managed $1.679 billion in international equity and $495 million in international fixed-income accounts for U.S. tax-exempt clients as of March 31.

The international equity assets were committed most heavily to Japan, the U.K., France, Spain and West Germany.

The firm focuses on undervalued growth companies over a long-term horizon using a top-down/bottom-up approach for country, sector and stock selection (emphasizing on-site visits). Resources include a proprietary global information capture system; an in-house currency management operation; and GE's corporate perspective on global businesses.

The firm uses non-U.S. currency hedging for 0.5% of assets managed, using forward contracts.

Of the international U.S. tax-exempt assets managed, $1.274 billion is actively managed; $726 million is passively managed; and $174 million is managed in an active/passive product.

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Analysts or portfolio managers are stationed in Stamford, Conn., Los Angeles and London.

The firm has been registered with the SEC since 1988.

Dale F. Frey, chairman of the board and president, is chief executive officer; Geoffery R. Norman is client contact.

Globe Finlay Inc.

200 Park Ave., New York, N.Y. 10166;
(212) 557-7022

Total assets managed	$750,000,000
Non-U.S. pension assets	$60,000,000
U.S. tax-exempt assets managed	$430,000,000
International	$203,000,000
Global	$127,000,000
U.S. tax-exempt clients	11
Minimum separate account	$20,000,000

Globe Finlay Inc., a subsidiary of Globe Investment Trust PLC, managed $203 million in active international equity accounts for U.S. tax-exempt clients as of March 31.

The international equity assets were committed most heavily to Japan, the Netherlands, Hong Kong, West Germany, the U.K. and France.

As of the same date, it had $121 million in active global equity and $6 million in active global balanced accounts.

The global equity assets were committed most heavily to Japan, the U.S., the U.K., Denmark and France.

The firm had $96 million in commingled accounts invested abroad.

The firm emphasizes reasonably priced, quality earnings growth. Bonds and cash are actively used when appropriate. Global and international accounts are invested in approximately 50 holdings, diversified between six to 10 markets. Institutional account types under management include global, international, U.S.-only, Europe-only, Japan-only and Pacific-only mandates.

It manages $134 million in U.S. markets for non-U.S. based clients.

Analysts or portfolio managers are stationed in New York, Tokyo, London and Geneva.

The firm has been registered with the SEC since 1982.

Frances Finlay, chairman and chief investment officer, is chief executive officer; Maureen White and Frances Dakers are client contacts.

Grantham, Mayo, Van Otterloo & Co. International

40 Rowes Wharf, Boston, Mass.
02110; (617) 330-7523

Total assets managed	$2,111,000,000
U.S. tax-exempt assets	$2,111,000,000
International	$2,036,000,000
Global	$75,000,000
U.S. tax-exempt clients	45
Minimum separate account	$50,000,000

Grantham, Mayo, Van Otterloo & Co. International managed $2.036 billion in international equity accounts for U.S. tax-exempt clients as of March 31. Those assets were committed most heavily to the U.K., the Netherlands, West Germany, France and Australia.

As of the same date, it had $75 million in global equity accounts, committed most heavily to the U.S., the U.K., the Netherlands, West Germany and France.

The firm had $1.588 billion in commingled accounts invested abroad and $134 million in mutual funds invested abroad.

The firm's investment policy is based on a value approach, believing there is a strong relationship between value and return, which applies whether value is defined by price-earnings ratios, yield, price-to-book ratios or present value. The firm seeks to uncover value in both stocks and markets by combining highly quantitative computer analysis with qualitative judgment.

The firm occasionally uses non-U.S. currency hedging up to 50% of its assets under management. Currency forwards are applied.

Of the international/global U.S. tax-exempt assets managed, $1.907 billion is actively managed and $204 million is quantitatively managed.

Analysts or portfolio managers are stationed in Boston and London.

The firm has been registered with the SEC since 1977.

Eyk Van Otterloo, partner, is chief executive officer; he and Susan Randall Harvey are client contacts.

G.T. Capital Management

50 California St., 27th Floor, San
Francisco, Calif. 94111-4624; (415)
392-6181

Total assets managed	$1,255,000,000
Non-U.S. pension assets	$59,000,000
U.S. tax-exempt assets	$394,000,000
International	$388,000,000
Global	$6,000,000
U.S. tax-exempt clients	5
Minimum separate account	$10,000,000

G.T. Capital Management Inc., a subsidiary of G.T. Management PLC, managed $388 million in active international equity accounts for U.S. tax-exempt clients as of March 31. The

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Vice President
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Equity ▪ Balanced ▪ Fixed Portfolios

assets were committed most heavily to Japan, France, Singapore, the U.K. and West Germany.

As of the same date, it had $1 million in active global equity and $5 million in global fixed-income accounts.

The global equity assets were committed most heavily to Japan, the U.S., West Germany, the U.K. and France.

The firm had $6 million in commingled accounts invested abroad and $16 million in mutual funds invested abroad.

The firm's equity approach emphasizes early identification of major international trends, targeting appropriate countries and companies through which to exploit such trends. It seeks growth companies with undiscounted earnings acceleration. Its fixed-income approach focuses on currency management, emphasizing flexible maturity rates.

The firm uses non-U.S. currency hedging for 30% of assets. Hedging is done through forward contracts.

It manages $575 million in U.S. markets for non-U.S. based clients.

Analysts or portfolio managers are stationed in Hong Kong, London, Sydney, Tokyo and San Francisco.

The firm has been registered with the SEC since 1974.

Christian Wignall is senior vice president-international and chief investment officer. Mary Lou Bernhoft, vice president-marketing and client service, is client contact.

H

Hill Samuel/Investment Advisers Ltd.

1100 Dain Tower, P.O. Box 357,
Minneapolis, Minn. 55440; (612) 371-7638

Total assets managed	$403,000,000
U.S. tax-exempt assets	$403,000,000
International	$389,000,000
Global	14,000,000
U.S. tax-exempt clients	12
Minimum separate account	$10,000,000

Hill Samuel/Investment Advisers Ltd. managed $389 million in international equity accounts for U.S. tax-exempt clients as of March 31. Those assets were committed most heavily to the U.K., Japan, Australia, West Germany and the Netherlands.

As of the same date, it had $14 million in actively managed, global fixed-income accounts.

It has $3 million in commingled accounts invested abroad and $18 million in mutual funds invested abroad. All U.S. tax-exempt assets are actively managed.

The firm uses a disciplined approach

Top 50 managers ranked by global account assets

	U.S. $ mils.
Templeton Int'l	2,249
Batterymarch Financial	1,161
TCW Global	1,012
WorldInvest	922
PCM Int'l	903
Dimensional Fund	885
First Chicago	778
Warburg Investment	708
Discount Corp./N.Y.	650
State Street Bank	431
Fiduciary Trust Co.*	410
Kemper-Murray Johnstone	398
Rowe Price-Fleming	306
Capital Guardian	302
Capital Research & Mgmt.	262
County NatWest*	252
Phillippe Investment	211
Fidelity Int'l	200
Mercator Asset*	200
Posthorn Global	193
J.P. Morgan	184
N.M. Rothschild Int'l	144
Bankers Trust	141
Morgan Grenfell	141
Globe Finlay	127
IDS Int'l	112
Nikko Capital	104
Schroder Capital	100
Scudder, Stevens & Clark	93
Grantham, Mayo, Van Otterloo	75
Julius Baer	51
Citicorp Investment	36
Capital Mgmt. Int'l	29
Boston Int'l	28
Wellington Mgmt.	19
Alliance Capital	18
Hill Samuel/Investment	14
SBC Portfolio	14
Nomura Capital	12
Chase Investors	10
G.T. Capital	6
ANB Investment	0
Baring Int'l	0
Arnhold & S. Bleichroeder	0
Brown Brothers Harriman*	0
Daiwa Int'l	0
GE Investments	0
Mellon-Pictet Int'l	0
Oechsle Int'l	0
Wells Fargo	0
TOTAL	**13,891**

* as of Dec. 31, 1988
Rankings are based on U.S. institutional, discretionary, tax-exempt assets

Once again, we're the number one bank in mortgage placements for America's real estate industry.

$315,000,000
Cooperative Refinancing
135 East 54th Street Associates, et al
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Arranged by The Chase Manhattan Bank, N.A.

$27,700,000
Residential Apartment Construction
The Canyons Associates
Yorba Linda, California
Arranged by The Chase Manhattan Bank, N.A.

$68,590,000
Residential Condominium Construction
The Coastal Group
Weehawken, New Jersey
Arranged by The Chase Manhattan Bank, N.A.

$115,000,000
Office, Retail and Hotel Refinancing
Headquarters Plaza
Morristown, New Jersey
Arranged by The Chase Manhattan Bank, N.A.

$35,000,000
Office Construction
Evans Naperville Associates II, L.P.
Naperville, Illinois
Arranged by The Chase Manhattan Bank, N.A.

$69,000,000
Regional Shopping Mall Construction
Salisbury Springhill Ltd. Partners
Salisbury, Maryland
Arranged by The Chase Manhattan Bank, N.A.

$54,000,000
Mixed-Use Construction
Eagle Square Partners
Mountain View, California
Arranged by The Chase Manhattan Bank, N.A.

$175,000,000
Regional Shopping Center Construction
Franklin Mills Associates L.P.
Philadelphia, Pennsylvania
Western Development Corporation
Arranged by The Chase Manhattan Bank, N.A.

$80,000,000
Office Interim Financing
Chicago Superior Associates
Chicago, Illinois
Arranged by The Chase Manhattan Bank, N.A.

$117,000,000
Regional Shopping Center Construction
Attleborough Associates Emerald Square Mall
Attleborough, Massachusetts
Arranged by The Chase Manhattan Bank, N.A.

$135,000,000
Office Construction
Park Tower William Street Associates
New York, New York
Arranged by The Chase Manhattan Bank, N.A.

$130,000,000
Bridge Financing For 44 Department Store Sites
G. C. Acquisition Corp.
Ohio, New York, Kentucky
Arranged by The Chase Manhattan Bank, N.A.

$45,000,000
Mixed-Use Construction
23 West Limited Partnership
Washington, D.C.
Arranged by The Chase Manhattan Bank, N.A.

$200,000,000
Pre-development Financing
Penn Yards Associates
New York, New York
Arranged by The Chase Manhattan Bank, N.A.

$15,700,000
Term Loan
Rouse Fort Worth, Inc.
Fort Worth, Texas
Arranged by The Chase Manhattan Bank, N.A.

$75,000,000
Office Interim Financing
Webster Street Partners, Ltd.
Oakland, California
Arranged by The Chase Manhattan Bank, N.A.

$60,400,000
Land Acquisition and Development
BGS Partners
Santa Ana, California
Arranged by The Chase Manhattan Bank, N.A.

$300,000,000
Office Acquisition, Renovation and Construction
Maguire Thomas Partners Colorado Place
Santa Monica, California
Arranged by The Chase Manhattan Bank, N.A.

$67,000,000
Regional Shopping Center Construction
TL-Troy Associates
Columbus, Ohio
Arranged by The Chase Manhattan Bank, N.A.

$75,000,000
Land Acquisition and Development
LSR Limited Partnership
Thousand Oaks, California
Arranged by The Chase Manhattan Bank, N.A.

$58,500,000
Office Construction
The Evening Star Building
Washington, D.C.
Arranged by The Chase Manhattan Bank, N.A.

$41,600,000
Residential Condominium Construction
128 Eight Avenue Associates
New York, New York
Arranged by The Chase Manhattan Bank, N.A.

$100,000,000
Office Acquisition and Interim Financing
JMB-1888 Partners
Century City, California
Arranged by The Chase Manhattan Bank, N.A.

$360,000,000
Forward Commitment Permanent Financing
Maguire Thomas Partners Library Square, Ltd.
Los Angeles, California
Arranged by The Chase Manhattan Bank, N.A.

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CHASE

to value investing in inflation adjusted (real) terms and a consistent appraisal applied to all countries, equity securities and currencies. Longer term assessments of countries and securities discount income streams to present value. Shorter term assessments encompass political, economic, and monetary policies.

The firm uses non-U.S. currency hedging, involving 24% of assets. Forward contracts are used.

Analysts or portfolio managers are based in London.

The firm has been registered with the SEC since 1982.

David Tilles is chief investment officer; I.P. (Kip) Knelman and Anne F. Holloran are client contacts.

I

IDS International Inc.

IDS Tower 10, Minneapolis, Minn.
55440; (612) 372-3335

Total assets managed	$1,184,000,000
Non-U.S. pension assets	$286,000,000
U.S. tax-exempt assets	$624,000,000
International	$512,000,000
Global	$112,000,000
U.S. tax-exempt clients	20
Minimum separate account	$15,000,000

IDS International Inc., a subsidiary of IDS Financial Corp., a subsidiary of American Express Co., managed $512 million in international equity accounts for U.S. tax-exempt clients as of March 31. Those assets were committed most heavily to Japan, France, West Germany, the U.K. and Switzerland.

As of the same date, it had $112 million in global equity accounts, committed most heavily to Japan, the U.S., the U.K., West Germany and France.

The firm had $72 million in commingled accounts invested abroad and $275 million in mutual funds invested abroad.

The firm takes a top-down, bottom-up approach to international investing. Based upon a macroeconomic, geopolitical overview, assets are allocated among stocks, bonds, and cash; currency views are taken; and countries are distributed into economic categories and weighted. Using this approach, the firm provides active investment management of portfolios of international and global equities, selecting stocks through fundamental analysis. Passive equity management selects stocks through optimization designed to simulate a specified benchmark.

The firm uses non-U.S. currency hedging.

Of the international global U.S. tax-exempt assets managed, $595 million are actively managed and $29 million is managed in an active passive program. It manages $22 million in U.S. markets for non-U.S. based clients.

Analysts or portfolio managers are stationed in London and Minneapolis.

The firm has been registered with the SEC since 1981.

Peter L. Lamaison, president, is chief investment officer; Robert W. Edgar, Gabrielle F. Shear and Diane K. Vener are client contacts.

Top 50 managers ranked by international account assets

	U.S. $ mils.
State Street Bank	5,153
Capital Guardian	3,153
Baring Int'l	2,383
J.P. Morgan	2,265
Morgan Grenfell	2,263
GE Investments	2,174
First Chicago	2,155
Grantham, Mayo	2,036
Wells Fargo	1,954
Rowe Price-Fleming	1,809
Schroder Capital	1,800
Nomura Capital	1,517
Batterymarch Financial	1,391
Chase Investors	1,217
Oechsle Int'l	1,084
N.M. Rothschild Int'l	827
Warburg Investment	825
Fidelity Int'l	800
Boston Int'l	798
Alliance Capital	786
Bankers Trust	781
WorldInvest	726
Scudder, Stevens & Clark	698
Mellon-Pictet Int'l	580
Julius Baer	572
Brown Brothers Harriman*	515
Posthorn Global	515
IDS Int'l	512
Mercator Asset*	500
Daiwa Int'l	482
Arnhold & S. Bleichroeder	480
Hill Samuel/Investment	389
G.T. Capital	388
Wellington Mgmt.	330
SBC Portfolio	328
PCM Int'l	314
Citicorp Investment	302
Nikko Capital	276
ANB Investment	275
Capital Mgmt. Int'l	268
Globe Finlay	203
Phillippe Investment	175
Kemper-Murray Johnstone	152
Capital Research & Mgmt.	98
Fiduciary Trust*	95
County NatWest*	28
Templeton Int'l	0
TCW Global	0
Discount Corp./N.Y.	0
Dimensional Fund	0
TOTAL	**46,372**

* as of Dec. 31, 1988
Rankings are based on U.S., institutional, discretionary, tax-exempt assets managed

K

Kemper-Murray Johnstone International Inc.

120 S. LaSalle St., Chicago, Ill. 60603;
(312) 845-1934

Total assets managed	$734,000,000
U.S. tax-exempt assets	$550,000,000
International	$152,000,000
Global	$398,000,000
U.S. tax-exempt clients	25
Minimum separate account	$5,000,000

Kemper-Murray Johnstone International Inc., a joint venture between Kemper Financial Services and Murray Johnstone Ltd., managed $152 million in international equity accounts for U.S. tax-exempt clients as of March 31.

Those assets were committed most heavily to Japan, the U.K., West Germany, the Netherlands and Canada.

As of the same date, it had $398 million in global fixed-income accounts.

The firm is an active manager, with regard to market, security and currency selection. Macroeconomic evaluation leads to country allocation, and then within markets, securities are chosen using a bottom-up, long-term, value-oriented approach. The firm employs both fundamental and technical forecasts in its currency management.

The firm practices non-U.S. currency hedging, using forwards and options.

All assets are actively managed.

Analysts or portfolio managers are stationed in Chicago, London and Glasgow.

The firm has been registered with the SEC since 1980.

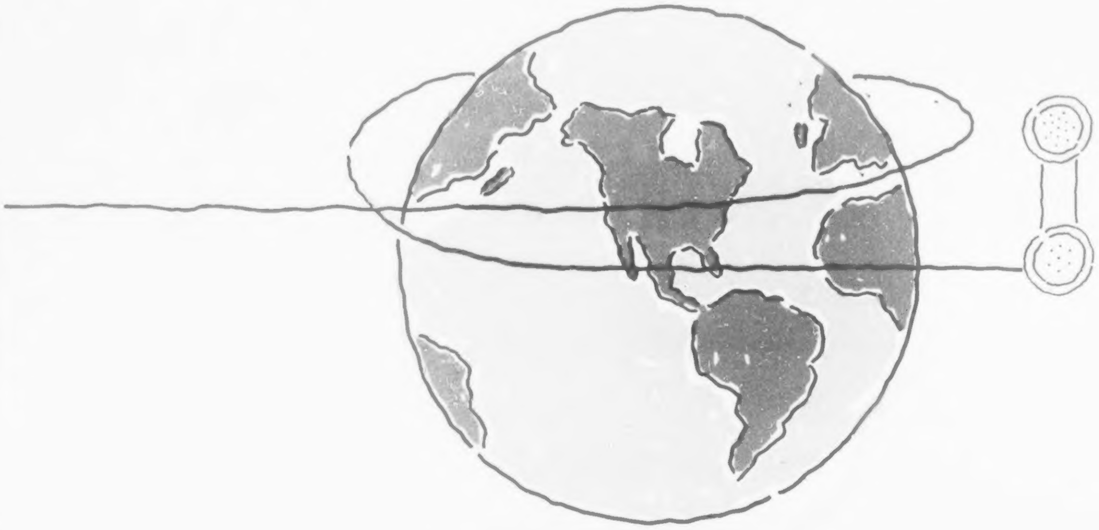
Raymond Johnstone, chairman, is chief executive officer; Sue Mullin is client contact.

M

Mellon-Pictet International Management Ltd.

Cutlers Gardens, 5 Devonshire
Square, London EC2M 4LD, U.K.;
01-283-7471

Total assets managed	$710,000,000



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And it pays off. In fact, for more than ten years, the international markets as measured by the Europe, Australia and Far East (EAFE) Index have greatly outperformed the U.S. market.

So why not go where the best opportunities for higher returns are?

Morgan Grenfell Investment Services of London supplies the international expertise.

Boatmen's Trust provides close communication as we manage the fund.

If the potential for increased returns without increased risk seems too good to be true, pick up your phone. Four minutes with our marketing director, Dick Hibbs, will change your mind.

A Cumulative Dollar Return From $100 Invested On June 10, 1981, The Inception Date Of Boatmen's International Fund:

Boatmen's International Fund returned $402	$ $ $ $ $402
S & P 500 returned $289	$ $ $ $289

(period ending 12-31-88)

CALL 314-436-9522 COLLECT.

AND COLLECT.

BOATMEN'S TRUST COMPANY

510 Locust Street
St. Louis, MO 63101

Non-U.S. pension assets	$59,000,000
U.S. tax-exempt assets	$580,000,000
International	$580,000,000
U.S. tax-exempt clients	15

Mellon-Pictet International Management Ltd., a subsidiary of Mellon Bank and Pictet and Cie, actively managed $580 million in international equity accounts for U.S. tax-exempt clients as of March 31. Assets were committed most heavily to Japan, the Netherlands, the U.K., Hong Kong and Spain.

The firm had $26 million in commingled accounts invested abroad.

The firm provides active management through a systematic, disciplined technique, linking share value to fundamentals (earnings, dividends, book value) within a precisely defined universe. The firm maintains a disciplined control of risk.

The firm does non-U.S. currency hedging, involving the use of forward exchange contracts.

It manages $2 million in U.S. markets for non-U.S. based clients.

Analysts or portfolio managers are stationed in London, Geneva and Tokyo.

The firm has been registered with the SEC since 1980.

Dan Blanks is chief executive officer; Steven Albrecht is client contact in Boston at (508) 238-1529.

Mercator Asset Management

2400 E. Commercial Blvd., Fort
Lauderdale, Fla. 33308; (305)
771-9660

Total assets managed	$800,000,000
U.S. tax-exempt assets managed	$700,000,000
International	$500,000,000
Global	$200,000,000
Minimum separate account	$10,000,000

Mercator Asset Management, a subsidiary of The Prudential Insurance Co. of America, managed $500 million in international equity accounts for U.S. tax-exempt clients as of Dec. 31.

As of the same date, it had $200 million in global equity accounts.

The firm takes a value approach, focusing on low p/e stocks.

Michael Williams is client contact.

J.P. Morgan Investment Management Inc.

83 Pall Mall, London SW1Y 5ES, U.K.;
01-930-9444

Total assets managed	$11,073,000,000
Non-U.S. pension assets	$412,000,000
U.S. tax-exempt assets	$2,449,000,000
International	$2,265,000,000
Global	$184,000,000
U.S. tax-exempt clients	34

J.P. Morgan Investment Management Inc., a subsidiary of J.P. Morgan & Co. Inc., managed $1.583 billion in international equity and $682 million in international fixed-income accounts for U.S. tax-exempt clients March 31.

The international equity assets were committed most heavily to Japan, the U.K., West Germany, France and Switzerland.

As of the same date, it had $29 million in global equity and $155 million in global fixed-income accounts.

The global equity assets were committed most heavily to Japan, the U.S., Switzerland, the U.K. and France.

The firm had $684 million in commingled accounts invested abroad.

The firm actively manages asset mix, country, currency exposure and individual security selection to maximize total return and minimize risk in U.S. dollars through a well-defined decision-making process, tailoring strategies to meet client objectives.

The firm uses non-U.S. currency hedging for 27% of assets. Hedging is done through currency hedging, limited use of futures and options limited to warrants.

All international/global U.S. tax-exempt assets are actively managed. It manages $4.209 billion in U.S. markets for non-U.S. based clients.

Analysts or portfolio managers are stationed [illegible] New York, London, Singapore, Tokyo and Melbourne.

The firm has been registered with the SEC since 1984.

C. Nicholas Potter, president, is chief executive officer; John F. Baumann, vice president, is client contact in New York at (212) 837-1423.

Morgan Grenfell Investment Services Ltd.

46 New Broad St., London EC2M
1NB, U.K., 01-256-7500

Total assets managed	$2,600,000,000
Non-U.S. pension assets	$103,000,000
U.S. tax-exempt assets	$2,404,000,000
International	$2,263,000,000
Global	$141,000,000
U.S. tax-exempt clients	41
Minimum separate account	$15,000,000

Morgan Grenfell Investment Services Ltd., a subsidiary of Morgan Grenfell Asset Management Ltd., managed $2.127 billion in international equity, $39 million in international fixed-income and $97 million in international balanced accounts for U.S. tax-exempt clients as of March 31.

The international equity assets were committed most heavily to Japan, West Germany, the U.K., the Netherlands and France.

As of the same date, it had $16 million in global equity accounts and $125 million in global fixed-income accounts. The global equity assets were committed most heavily to the U.S., Japan, West Germany, the U.K. and the Netherlands.

The firm had $114 million in commingled accounts invested abroad.

The firm's global equity approach is active. Equal emphasis is placed on the market decision and stock selection. No investments are made without considering the currency impact. Its fixed-income approach is based on the active management of currencies, bond markets and maturities. Separation of currency and bond market exposure decision through currency hedging is employed. The firm exercises systematic control of risk.

All assets are actively managed. The firm manages $26 million in U.S. markets for non-U.S. clients.

It has been registered with the SEC since 1977.

Michael Bullock, chairman, is chief executive officer; James E. Minnick, executive vice president of Morgan Grenfell Capital Management is client contact in New York at (212) 230-2600.

The Book of Lists will be published in the Dec. 25 issue of *Pensions & Investment Age.*

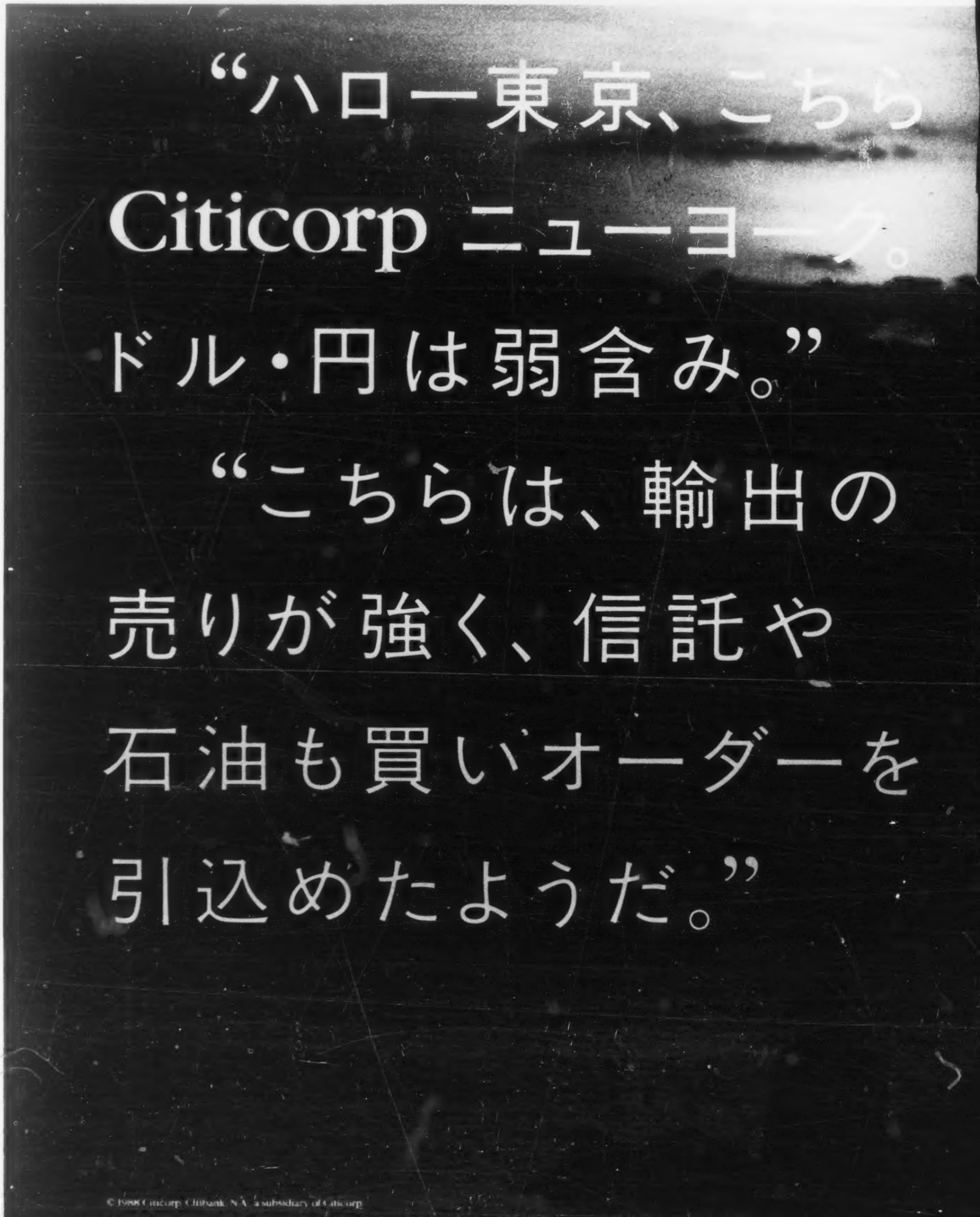
N

Nikko Capital Management (U.S.A.) Inc.

350 Park Ave., New York, N.Y. 10022;
(212) 319-2730

Total assets managed	$1,631,000,000
U.S. tax-exempt assets managed	$380,000,000
International	$276,000,000
Global	$104,000,000
U.S. tax-exempt clients	8
Minimum separate account	$5,000,000

Nikko Capital Management (U.S.A.) Inc., a subsidiary of Nikko International Capital Management Co. Ltd., managed $276 million in international eq-



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uity accounts and $104 million in global equity accounts for U.S. tax-exempt clients as of March 31.

The international equity assets were committed most heavily to Japan, the U.K., West Germany, France and Switzerland.

The global equity assets were committed most heavily to Japan, the U.K., the U.S., France and West Germany.

The firm's main investment objective is to achieve superior and consistent investment performance without excessive risk. The firm offers active, passive and other quantitative strategies for global, international and Pacific Basin portfolios. Specialized products include a Japan and Pacific Basin index and an EAFE tilt strategy. The firm also offers global fixed-income portfolio management.

The firm uses forward foreign exchange contracts and options for non-U.S. currency hedging.

Of the international U.S. tax-exempt assets under management, $137 million is actively managed, $133 million is passively managed and $110 million is managed in an active/passive product. It manages $363 million in U.S. markets for non-U.S. based clients.

Analysts or portfolio managers are stationed in New York, Tokyo, London and Singapore.

The firm has been registered with the SEC since 1981.

Kojiro Murase is chief executive officer; David Rochman is client contact.

Social investing will be explored in the Nov. 27 issue of *Pensions & Investment Age*.

Nomura Capital Management

180 Maiden Lane, New York, N.Y.
10038; (212) 509-8181

Total assets managed	$2,457,000,000
U.S. tax-exempt assets	$1,529,000,000
International	$1,517,000,000
Global	$12,000,000
U.S. tax-exempt clients	18
Minimum separate account	$5,000,000

Nomura Capital Management Inc., a subsidiary of Nomura Investment Management Co. Ltd., managed $1.477 billion in international equity and $40 million in international balanced accounts for U.S. tax-exempt clients as of March 31.

The international equity assets were committed most heavily to Japan, the U.K., France, West Germany and Australia.

As of the same date, it had $12 million in global equity accounts, committed most heavily to the U.S., Japan, the U.K., West Germany and France.

The firm offers global capability with regional strength, concentrating on high return sectors and stocks screened through original, fundamental research and relative valuation. The emphasis is on sector and stock selection with less emphasis on timing markets and currencies. A number of quantitative tools are used in the disciplined process.

The firm uses currency forwards and futures for non-U.S. currency hedging.

All of the international/global U.S. tax-exempt assets are actively managed.

Analysts or portfolio managers are stationed in New York, London and Tokyo. Nomura Research Institute has offices in New York, Tokyo, Kamakura, Osaka, London, Singapore, Hong Kong and Washington.

The firm has been registered with the SEC since 1976.

Takeo Nakamura, president, is chief executive officer; Brian X. Fitzgibbon, senior vice president, and Robert S. Preston III, assistant vice president, are client contacts.

O

Oechsle International Advisors

1 International Place, 44th Floor,
Boston, Mass. 02110; (617)
330-8810

Total assets managed	$1,100,000,000
Non-U.S. pension assets	$8,000,000
U.S. tax-exempt assets	$1,084,000,000
International	$1,084,000,000
U.S. tax-exempt clients	35
Minimum separate account	$20,000,000

Oechsle International Advisors managed $1.084 billion in international equity accounts for U.S. tax-exempt clients as of March 31.

The assets were committed most heavily to Japan, the U.K., Canada, Singapore and France.

The firm had $5 million in commingled accounts invested abroad.

The firm believes inefficiencies within and between international equity markets provide opportunities for incremental returns. It focuses on an investment horizon of one to two years.

The firm uses forward currency contracts for non-U.S. currency hedging.

All international equity U.S. tax-exempt assets are actively managed.

Analysts or portfolio managers are stationed in Boston, London and Tokyo.

The firm has been registered with the SEC since 1986.

Walter Oechsle, managing general partner, is chief executive officer; Stephen P. Langer, general partner, is client contact.

P

PCM International

745 Broad St., 2 Plaza, Newark, N.J.
07101; (201) 802-4559

Total assets managed	$4,511,000,000
Non-U.S. pension assets	$39,000,000
U.S. tax-exempt assets	$1,217,000,000
International	$314,000,000
Global	$903,000,000
U.S. tax-exempt clients	14
Minimum separate account	$10,000,000

PCM International, an investment affiliate of The Prudential Investment Corp., managed $196 million in international equity and $118 million in international fixed-income accounts for U.S. tax-exempt clients as of March 31.

The international equity assets were committed most heavily to Japan, the U.K., West Germany, France and Italy.

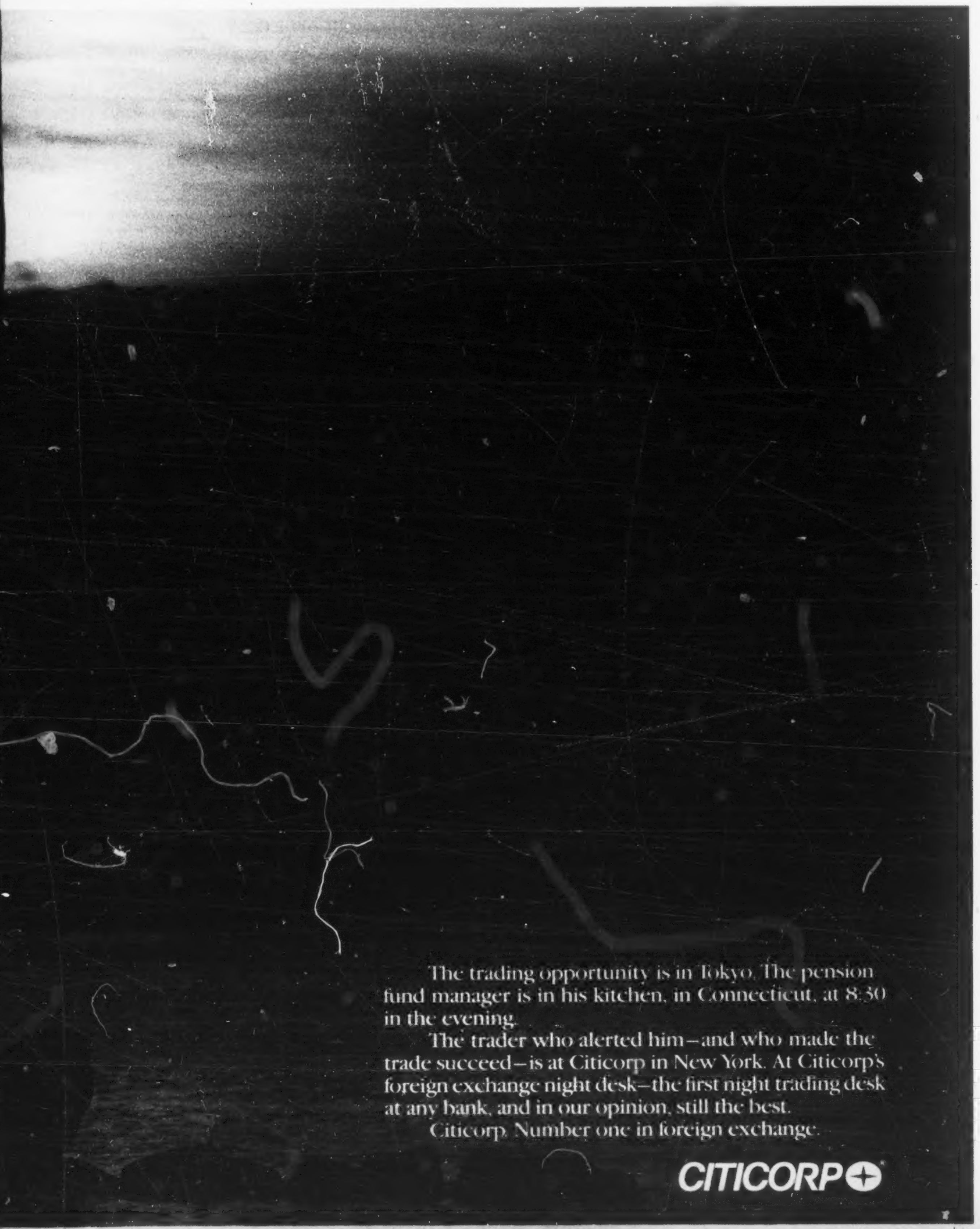
As of the same date, it had $903 million in global fixed-income accounts.

The firm had $694 million in commingled accounts invested abroad.

Its equity approach emphasizes global stock selection using prospective fundamental analysis. Currency hedging and market defensive timing are provided by technical overlay. The fixed-income approach is based on active currency and maturity management, using fundamental/technical combined discipline. Only government-quality securities are used.

The firm uses non-U.S. currency hedging through forward contracts and options.

Of the international/global U.S. tax-exempt assets, $1.193 billion is actively managed; $24 million is managed by an active/passive process. It manages $10 million in U.S. markets



The trading opportunity is in Tokyo. The pension fund manager is in his kitchen, in Connecticut, at 8:30 in the evening.

The trader who alerted him—and who made the trade succeed—is at Citicorp in New York. At Citicorp's foreign exchange night desk—the first night trading desk at any bank, and in our opinion, still the best.

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Managers ranking 51-100

	U.S. $ mils.
51. Investment Index Tech.	261
52. Martin Currie	258
53. Beutel, Goodman	255
54. INVESCO MIM	254
55. Lombard Odier	248
56. Aetna Capital	227
57. Roll and Ross	225
58. Boston Co.	224
59. Travelers Cos.	221
60. Dunedin Fund	218
61. Lexington Mgmt.	210
62. Marsh/Cunningham	207
63. Walter Scott	200
64. Putnam Cos.	198
65. Kleinwort Benson	195
66. Burgess Capital	175
67. Massachusetts Financial	175
68. CIGNA Asset	173
69. Parametric Portfolio	159
70. Boatmen's Trust	152
71. Marvin & Palmer	150
72. Ivory & Sime	130
73. Lazard Freres	128
74. Van Eck Associates	125
75. Seaboard Investment	100
76. HD Int'l	96
77. Western Reserve	83
78. Credit Suisse	80
79. Emerging Markets	78
80. Wardley Investment	73
81. Brandes Investment	70
82. Fidelity Mgmt. Trust	70
83. Miller, Anderson	68
84. Smith Barney Global	66
85. Prudential Asia	63
86. AIG Global	60
87. GIM Global	57
88. Matuschka Moser	56
89. Morgan Stanley Asset	51
90. Interinvest	50
91. Equitable Capital*	41
92. Provident Capital	40
93. Principal	31
94. Harris Trust	26
95. Baillie Gifford	14
96. Union Bank	11
97. Pacific Financial	8
98. Edinburgh-Wilmington Int'l	5
99. Confederation Life	4
100. UBS Phillips & Drew	4
TOTAL	**6,073**

* as of Dec. 31, 1988
Ranking is based on U.S., institutional, discretionary, tax-exempt assets managed

for non-U.S. based clients.

Analysts or portfolio managers are stationed in Newark, N.J.

The firm has been registered with the SEC since 1984.

Barry M. Gillman is managing director and chief executive officer; J. Eric Nelson is client contact.

Philippe Investment Management Inc.

122 E. 42nd St., New York, N.Y.
10168; (212) 687-3290

Total assets managed	$868,000,000
Non-U.S. pension assets	$25,000,000
U.S. tax-exempt assets managed	$386,000,000
International	$175,000,000
Global	$211,000,000
U.S. tax-exempt clients	4
Minimum separate account	$25,000,000

Philippe Investment Management Inc. managed $175 million in international equity and $211 million in global equity accounts for U.S. tax-exempt clients as of March 31.

The international equity assets were committed most heavily to Japan, the U.K., France, Canada and the Netherlands.

The global equity assets were committed most heavily to Japan, the U.K., the United States, France and West Germany.

The firm's investment style incorporates both top-down and bottom-up methodologies. Equal weight is placed on country sector and stock decisions. Portfolios are diversified with approximately 100 securities and moderate use is made of cash equivalents. Generally, one-third of the portfolio is in smaller capitalization issues; 30% to 40% of holdings are not in the representative index.

All international/global U.S. tax-exempt assets are actively managed. The firm manages $5 million in U.S. markets for non-U.S. based clients.

Analysts or portfolio managers are stationed in New York, Paris and Luxembourg.

The firm has been registered with the SEC since 19[illegible]2.

Beatrice Philippe, managing director, is chief executive officer; Claudette Mayer, director of marketing, is client contact.

Posthorn Global Asset Management

2 Broadgate, 7th Floor, London EC2M
7HA U.K.; 01-601-0021

Total assets managed	$1,799,000,000
Non-U.S. pension assets	$72,000,000
U.S. tax-exempt assets managed	$708,000,000
International	$515,000,000
Global	$193,000,000
U.S. tax-exempt clients	14
Minimum separate account	$15,000,000

Posthorn Global Asset Management, a subsidiary of Shearson Lehman Hutton Inc., managed $421 million in international equity and $94 million in international fixed-income accounts for U.S. tax-exempt clients as of March 31.

The international equity assets were committed most heavily to Japan, U.K., France, Canada and Singapore.

As of the same date, it had $45 million in global equity and $148 million in global fixed-income accounts.

The global equity assets were committed most heavily to the U.S., Japan, the U.K., France and West Germany.

The firm had $174 million in commingled accounts invested abroad and $23 million in index funds invested abroad.

The firm employs a bottom-up stock selection process for active equity management. Stocks are screened using industrial, economic and demographic themes. For global bond management, Posthorn identifies up to five plausible economic and political scenarios that would set global interest and currency rates. The firm assigns probabilities to these scenarios and forecasts interest and exchange rates associated with each.

The firm uses non-U.S. currency hedging, involving 0.5% of U.S. tax-exempt assets managed, through the use of forward foreign exchange.

Of the international/global assets under management, $510 million is actively managed, $23 million is passively managed and $174 million is managed in an active/passive program. The firm manages $825 million in U.S. markets for non-U.S. based clients.

Analysts or portfolio managers are stationed in London and Brussels.

The firm has been registered with the SEC since 1984.

Herschel Post, president, is chief executive officer.

R

N.M. Rothschild International Asset Management

Five Arrows House, St. Swithins Lane,
London EC4P 4DV; 01-280-5000

Total assets managed	$2,080,000,000
Non-U.S. pension assets	$626,000,000
U.S. tax-exempt assets managed	$971,000,000
International	$827,000,000
Global	$144,000,000
U.S. tax-exempt clients	10
Minimum separate account	$10,000,000

N.M. Rothschild International Asset Management, a subsidiary of N.M. Rothschild Asset Management Ltd., managed $71 million in international equity and $756 million in international fixed-income accounts for U.S. tax-exempt clients as of March 31.

The international equity assets were committed most heavily to Japan, West Germany, France, the Netherlands and the U.K.

As of the same date, it had $27 million in global equity and $117 million in global fixed-income accounts.

The global equity assets were committed most heavily to the U.S., Japan, the U.K., West Germany and Switzerland.

The firm is an active, top-down asset allocator. Through a process of fundamental economic analysis, assets are concentrated in those markets expected to outperform. Currency allocation is decided separately and currency hedging is used extensively.

The firm uses non-U.S. currency hedging for 42.5% of U.S. tax-exempt assets managed, using forwards and options.

All international/global U.S. tax-exempt assets are actively managed. The firm manages $320 million in U.S. markets for non-U.S. based clients.

Analysts or portfolio managers are stationed in London and Tokyo. Affiliated offices are in Paris, Zurich, Hong Kong, Singapore, Malaysia, Australia and the U.S.

The firm has been registered with the SEC since 1980.

Nigel Wightman is chief executive officer. Peter Flynn is the North American client contact at (212) 757-6000.

Rowe Price-Fleming International Inc.

100 E. Pratt St., Baltimore, Md. 21202;
(301) 547-2141

Total assets managed	$2,686,000,000
U.S. tax-exempt assets	$2,115,000,000
International	$1,809,000,000
Global	$306,000,000
U.S. tax-exempt clients	24
Minimum separate account	$10,000,000

Rowe Price-Fleming International Inc., a subsidiary of T. Rowe Price Associates, Robert Fleming Holdings and Jardine Fleming Holdings, managed $1.703 billion in international equity, $32 million in international fixed-income and $74 million in international balanced accounts for U.S. tax-exempt clients as of March 31.

The international equity assets were committed most heavily to Japan, the U.K., West Germany, France and the Netherlands.

As of the same date, the firm had $151 million in global equity accounts and $155 million in global fixed-income accounts.

The global equity assets were committed most heavily to the U.K., Japan, West Germany, France and the Netherlands.

The firm had $211 million in commingled accounts invested abroad and $501 million in mutual funds invested abroad.

The firm's active management style uses a top-down, bottom-up equity approach with large- and small-capitalization stocks. Worldwide research capabilities are of primary importance. Its fixed-income approach is fundamentally oriented using active management of credit markets and currency exposure.

The firm uses non-U.S. currency hedging for 14% of U.S. tax-exempt assets managed, using forward foreign exchange contracts.

All of the international/global U.S. tax-exempt assets are actively managed.

Analysts or portfolio managers are stationed in Bahrain, Baltimore, Frankfurt, Geneva, Hong Kong, Jakarta, Kuala Lumpur, Melbourne, London, New York, Paris, the Philippines, Seoul, Sydney, Taipei, Tokyo and Zurich.

The firm has been registered with the SEC since 1979.

M. David Testa, chairman, is chief executive officer; David M. Gong is client contact.

Frank Russell Trust Co.

909 A St., P.O. Box 1454, Tacoma,
Wash. 98401; (206) 572-2282

Total assets managed	$7,300,000,000
U.S. tax-exempt assets	$7,300,000,000
International	$325,000,000
U.S. tax-exempt clients	173
Minimum separate account	$5,000,000

Frank Russell Trust Co., a subsidiary of Frank Russell Co., employs a multimanager approach, diversifying by manager style, for the $325 million it handled in international equity accounts for U.S. tax-exempt clients as of March 31.

Because it does not directly manage the assets, its figures are not included in the directory's aggregate data.

The international equity assets were committed most heavily to Japan, the U.K., Hong Kong, France and Australia.

The firm's external managers use non-U.S. currency hedging, employing forward contracts.

Of the international U.S. tax-exempt assets managed on its behalf, $290 million is actively managed and $35 million is passively managed.

Paul Kaltinick is chief executive officer; Lynn Anderson is president; Kathy Brown is client contact.

S

SBC Portfolio Management International Inc.

1 World Trade Center, Suite 8935,
New York, N.Y. 10048; (212)
432-8900

Total assets managed	$463,000,000
Non-U.S. pension assets	$31,000,000
U.S. tax-exempt assets managed	$357,000,000
International	$328,000,000
Global	$14,000,000
U.S. tax-exempt clients	19*
Minimum separate account	$10,000,000

SBC Portfolio Management International Inc., a subsidiary of Swiss Bank Corp., managed $298 million in international equity and $30 million in international fixed-income accounts for U.S. tax-exempt clients March 31.

The international equity assets were committed most heavily to Japan, the U.K., Singapore, Norway and West Germany.

As of the same date, the firm had $14 million in global equity accounts, committed most heavily to Japan, the U.S., the U.K., Singapore and West Germany.

The firm is a top-down/bottom-up equity-oriented manager, relying on superior information to make strong bets against the EAFE Index, when prudent, while investing across the whole spectrum of the index. Active currency management, hedging when necessary, protects the fundamental value-oriented stock selection with quantitative overlays.

The firm employs non-U.S. currency hedging for 5% to 20% of U.S. tax-ex-

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New York, New York 10019
Tel: 212-474-8300
Fax: 212-474-8324

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Deutsche Bank Capital Management
(USA) Corporation

empt assets managed, using forward currency contracts.

All international/global U.S. tax-exempt assets are actively managed.

Analysts or portfolio managers are stationed in Switzerland, the U.K., Hong Kong, Singapore, Australia and the U.S.

The firm has been registered with the SEC since 1982.

Peter J. Morant is chief executive officer; John W. Conlin is client contact.

Schroder Capital Management International

787 Seventh Ave., New York, N.Y.
10019; (212) 841-3830

Total assets managed	$2,400,000,000
Non-U.S. pension assets	$400,000,000
U.S. tax-exempt assets	$1,900,000,000
International	$1,800,000,000
Global	$100,000,000
U.S. tax-exempt clients	32
Minimum separate account	$15,000,000

Schroder Capital Management International, a subsidiary of Schroders PLC, managed $1.8 billion in international equity and $100 million in global equity accounts for U.S. tax-exempt clients as of March 31.

The international equity assets were committed most heavily to Japan, the U.K., West Germany, Switzerland and Hong Kong. The global equity assets were committed most heavily to the U.S., Japan, Switzerland, the U.K. and the Netherlands.

The firm had $130 million in commingled accounts invested abroad and $460 million in mutual funds invested abroad.

The firm's investment approach begins with country allocation; broad guidelines for country investments are based on two-year economic projections. Asset allocation is determined based on shorter-term market considerations. The firm then takes an active and aggressive approach to stock selection. Distinctively emerging growth stocks make up the core of the portfolio. Small to medium companies with an identified, sustainable competitive advantage are frequently chosen. The firm's emphasis on independent regional research enables investment in companies in the early stages of emerging growth.

The firm uses non-U.S. currency hedging for 10% of U.S. tax-exempt assets managed, employing forward foreign exchange contracts.

All international/global U.S. tax-exempt assets are actively managed. It manages $82 million in U.S. markets for non-U.S. based clients.

Analysts or portfolio managers are stationed in London, New York, Tokyo, Hong Kong, Singapore, Sydney and Zurich.

The firm has been registered with the SEC since 1979.

David M. Salisbury is chief executive officer; Sharon L. Haugh is client contact.

Scudder, Stevens & Clark

345 Park Ave., New York, N.Y. 10154;
(212) 326-6297

Total assets managed	$40,172,000,000
U.S. tax-exempt assets	$10,131,000,000
International	$698,000,000
Global	$93,000,000
U.S. tax-exempt clients	595
Minimum separate account	$10,000,000

Scudder, Stevens & Clark managed $648 million in international equity and $50 million in international fixed-income accounts for U.S. tax-exempt clients as of March 31.

The international equity assets were committed most heavily to Japan, the U.K., the Netherlands, France and Switzerland.

As of the same date, it had $86 million in global equity and $7 million in global balanced accounts.

The global equity assets were committed most heavily to the U.S., the U.K., Canada, the Netherlands and Hong Kong.

The firm had $485 million in mutual funds invested abroad.

The firm's approach is both top-down and bottom-up. Assessments of the global economy and local market and currency factors are meshed with in-depth security analysis.

The firm uses non-U.S. currency hedging, primarily rolling hedges.

All international/global U.S. tax-exempt assets are actively managed.

Analysts or portfolio managers are stationed in New York, Boston and Tokyo.

The firm has been registered with the SEC since 1943.

Nicholas Bratt is chief executive officer-international investments. The client contacts are Emily L. Smith, Eastern region, in New York; David E. Honeyman Jr., Western region, at (415) 981-8191; and Victoria J. Herget, Midwest region, at (312) 861-2700.

State Street Bank and Trust

225 Franklin St., Boston, Mass. 02110;
(617) 786-3000

Total assets managed	$42,500,000,000
Non-U.S. pension assets	$1,920,000,000
U.S. tax-exempt assets	$37,480,000,000
International	$5,153,000,000
Global	$431,000,000
U.S. tax-exempt clients	1,100
Minimum separate account	$10,000,000

State Street Bank and Trust Co., a subsidiary of State Street Boston Corp., managed $5.145 billion in international equity and $8 million in international fixed-income accounts for U.S. tax-exempt clients March 31.

The international equity assets were committed most heavily to Japan, the U.K., West Germany, France and Switzerland.

As of the same date, it had $431 million in global equity, committed most heavily to Japan, the U.S., the U.K., France and West Germany.

The firm had $3.106 billion in commingled accounts invested abroad and $4.788 billion in index funds invested abroad.

The firm concentrates on disciplined, quantitative strategies for separately managed and commingled portfolios. These strategies include EAFE and other international and global equity index funds, as well as active country and stock selection.

The firm uses non-U.S. currency hedging for 2% of U.S. tax-exempt assets managed, through currency forward contracts used on an optimized basket of the major currencies in the portfolio.

Of the international/global U.S. tax-exempt assets managed, $50 million is actively managed; $4.919 billion is passively managed; and $616 million is managed in an active/passive product. The firm manages $608 million in U.S. markets for non-U.S. based clients.

Analysts or portfolio managers are stationed in Boston.

Nicholas A. Lopardo, senior vice president, is chief executive officer; Peter E. Braun is client contact.

Employee benefit trends will be published Oct. 16.

Strategic Investment Management Group

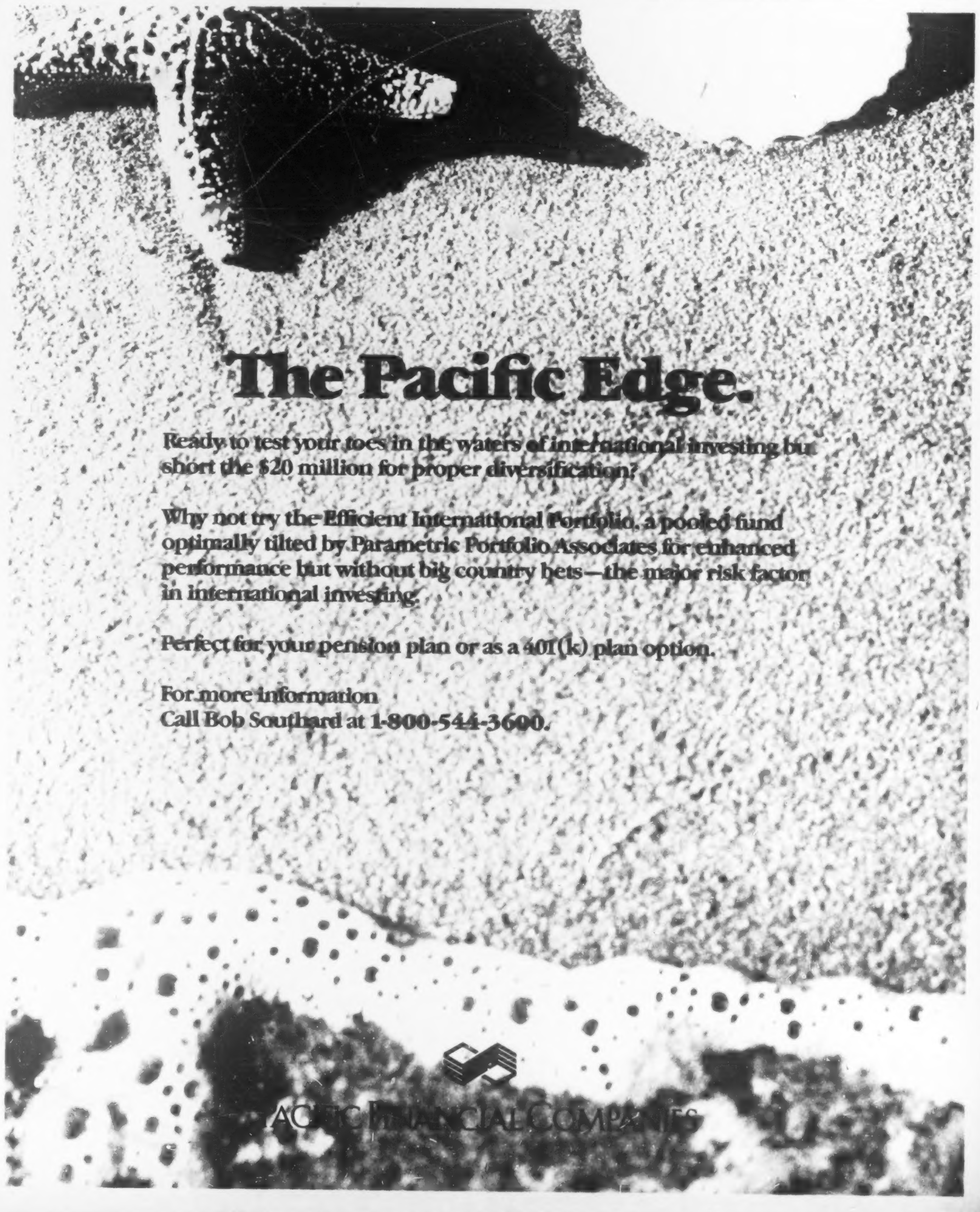
2000 K St. N.W., Suite 400,
Washington, D.C. 20006; (202)
785-2300

Total assets managed	$4,402,000,000
Non-U.S. pension assets	$400,000,000
U.S. tax-exempt assets	$3,472,000,000
International	$755,000,000
U.S. tax-exempt clients	2
Minimum separate account	$50,000,000

Strategic Investment Management Group uses a multimanager approach for the $405 million in international equity and $350 million in international fixed-income accounts it handled for U.S. tax-exempt clients as of March 31.

The international equity assets were committed most heavily to the U.K., France, Japan, West Germany and Australia.

Because the assets are not managed directly, the firm's figures are not included in the directory's aggre-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gate data.

The firm had $137 million in commingled accounts invested abroad and $104 million in index funds invested abroad.

The firm provides large institutional pools with full asset allocation, asset management, reporting and research services. Assets are allocated using qualitative and quantitative tools, with investment strategy implemented through external managers.

Non-U.S. currency hedging is used on 58% of the U.S. tax-exempt international assets under management through forward contracts.

Of the international/global U.S. tax-exempt assets managed, $644 million is actively managed and $111 million is passively managed. It manages $86 million in U.S. markets for non-U.S. based clients.

Analysts or portfolio managers are stationed in Washington.

The firm has been registered with the SEC since 1987.

Hilda Ochoa-Brillembourg, president, is chief executive officer; Ms. Ochoa-Brillembourg and Mary Choksi are client contacts.

T

TCW Global Advisors

400 S. Hope St., Suite 500, Los
Angeles, Calif. 90071; (213)
683-4000

Total assets managed	$1,094,000,000
U.S. tax-exempt assets	$1,012,000,000
Global	$1,012,000,000
U.S. tax-exempt clients	17
Minimum separate account	$50,000,000

TCW Global Advisors, a subsidiary of Trust Co. of the West and Cursitor Eaton Asset Management, managed $1.012 billion in global balanced accounts for U.S. tax-exempt clients as of March 31.

Assets were committed most heavily to the U.S., Switzerland and West Germany.

The firm had $119 million in commingled accounts invested abroad.

The firm's top-down investment process subscribes to an absolute, rather than relative, return philosophy. The firm concentrates on three or four investment themes and invests in a maximum of six markets. The cornerstone of its investment process is the identification of major macroeconomic imbalances that will lead to shifts in financial markets.

All U.S. tax-exempt assets are actively managed.

Analysts or portfolio managers are stationed in London, Paris, New York and Los Angeles.

Thomas E. Larkin Jr. is client contact.

Master trust: Sept. 4.

Templeton International

500 E. Broward Blvd., Suite 2100, Fort
Lauderdale, Fla. 33394; (305)
764-7390

Total assets managed	$2,670,000,000
Non-U.S. pension assets	$142,000,000
U.S. tax-exempt assets	$2,249,000,000
Global	$2,249,000,000
U.S. tax-exempt clients	42
Minimum separate account	$10,000,000

Templeton International, a subsidiary of Templeton, Galbraith & Hansberger Ltd., managed $2.163 billion in global equity and $86 million in global fixed-income accounts as of March 31.

The equity assets were committed most heavily to the U.S., the U.K., Canada, Australia and Hong Kong.

The firm searches globally for securities selling at levels substantially below what its analysts think they are worth. Stock selection, not country or sector selection, provides the greatest value added to its portfolios. Stocks are analyzed on a long-term time horizon; they are typically held for more than five years.

The firm uses non-U.S. currency hedging for 15% of its U.S. tax-exempt fixed-income portfolios. Currency options, currency forwards and bond options are employed.

All global U.S. tax-exempt assets are actively managed.

Analysts or portfolio managers are stationed in Nassau, Fort Lauderdale, Edinburgh and Hong Kong.

The firm has been registered with the SEC since 1979.

Thomas L. Hansberger is chief executive officer; James R. Wood, senior vice president, is client contact.

W

Warburg Investment Management International

787 Seventh Ave., New York, N.Y.
10019; (212) 459-7150

Total assets managed	$1,938,000,000
Non-U.S. pension assets	$368,000,000
U.S. tax-exempt assets	$1,533,000,000
International	$825,000,000
Global	$708,000,000
U.S. tax-exempt clients	3f
Minimum separate account	$10,000,000

Warburg Investment Management International Ltd., a subsidiary of Mercury Asset Management Group PLC, managed $578 million in international equity, $232 million in international fixed-income and $15 million in international balanced accounts for U.S. tax-exempt clients as of March 31.

The international equity assets were committed most heavily to Japan, the U.K., France, West Germany and the Netherlands/Switzerland.

As of the same date, the firm had $375 million in global equity, $316 million in global fixed-income and $17 million in global balanced accounts.

The global equity assets were committed most heavily to Japan, the U.S., the U.K., France and West Germany.

The firm had $172 million in commingled accounts invested abroad and $172 million in mutual funds invested abroad.

The firm invests on the basis of fundamental, global research. Equity management combines top-down and bottom-up fundamental approach with stocks analyzed against a number of criteria, including earnings growth, management and product strength. Fixed-income management is top-down with currency and bond investment decisions made separately.

All international/global U.S. tax-exempt assets are actively managed. It manages $95 million in U.S. markets for non-U.S. based clients.

Analysts or portfolio managers are stationed in New York, Tokyo, Melbourne and London.

The firm has been registered with the SEC since 1976.

Robert Paul Brandon Michaelson, joint chairman, is chief executive officer; Steven W. Golann is client contact.

Wellington Management Co.

75 State St., Boston, Mass. 02109;
(617) 951-5000

Total assets managed	$33,335,000,000
U.S. tax-exempt assets	$10,268,000,000
International	$330,000,000
Global	$19,000,000
U.S. tax-exempt clients	202
Minimum separate account	$10,000,000

Wellington Management Co. managed $319 million in international equity and $11 million in international fixed-income accounts for U.S. tax-exempt clients as of March 31.

The international equity assets were committed most heavily to Japan, the U.K., West Germany, France and Spain.

As of the same date, the firm had $19 million in global equity accounts, committed most heavily to the U.S., Japan, the U.K., West Germany and France.

The firm had $180 million in commingled accounts invested abroad.

The firm offers international established growth stock; international emerging company stock; Pacific Basin, global equity; and international bond investing. Stock selection is based on thorough fundamental analysis.

Non-U.S. currency hedging is used occasionally.

All international/global U.S. tax-exempt assets are actively managed. It manages $37 million in U.S. markets for non-U.S. based clients.

Analysts or portfolio managers are stationed in Boston, Atlanta, Valley Forge and Washington. An affiliated partnership is in London.

The firm has been registered with

Top 50 managers ranked by assets managed for non-U.S. pension funds in U.S. markets

	U.S. $ millions
Chase Investors	7,653
J.P. Morgan	4,209
Bankers Trust	3,798
Wells Fargo	2,271
Alliance Capital	1,147
WorldInvest	1,053
County NatWest*	844
Posthorn Global	825
State Street Bank	608
G.T. Capital	575
Nikko Capital	363
N.M. Rothschild Int'l	320
Daiwa Int'l	238
Fidelity Int'l	170
Capital Mgmt. Int'l	160
Globe Finlay	134
Discount Corp./N.Y.	132
First Chicago	96
Warburg Investment	95
Schroder Capital	82
Capital Guardian	79
Dimensional Fund	43
Wellington Mgmt.	37
Fiduciary Trust*	35
Morgan Grenfell	26
IDS Int'l	22
PCM Int'l	10
Phillippe Investment	5
Mellon-Pictet Int'l	2
ANB Investment	0
Julius Baer	0
Baring Int'l	0
Batterymarch Financial	0
Arnhold & S. Bleichroeder	0
Boston Int'l	0
Brown Brothers Harriman*	0
Capital Research & Mgmt.	0
Citicorp Investment	0
GE Investments	0
Grantham, Mayo, Van Otterloo	0
Hill Samuel/Investment	0
Kemper-Murray Johnstone	0
Mercator Asset*	0
Nomura Capital	0
Oechsle Int'l	0
Rowe Price-Fleming	0
SBC Portfolio Mgmt.	0
Scudder, Stevens & Clark	0
TCW Global	0
Templeton Int'l	0
TOTAL	**25,032**

* as of Dec. 31, 1988

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Salomon Brothers Inc
Shearson Lehman Hutton Inc.
Bateman Eichler, Hill Richards Incorporated

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Donaldson, Lufkin & Jenrette Securities Corporation
Gruntal & Co., Incorporated

Kidder, Peabody & Co. Incorporated
Piper, Jaffray & Hopwood Incorporated
Stifel, Nicolaus & Company Incorporated

the SEC since 1960.

Robert W. Doran is chief executive officer; Dena G. Willmore is client contact.

Wells Fargo Investment Advisors

50 California St., San Francisco, Calif.
94111; (415) 434-6027

Total assets managed	$64,969,000,000
Non-U.S. pension assets	$2,271,000,000
U.S. tax-exempt assets	$62,697,000,000
International	$1,954,000,000
U.S. tax-exempt clients	287
Minimum separate account	$100,000,000

Wells Fargo Investment Advisors, a subsidiary of Wells Fargo & Co., managed $1.795 billion in international equity, $72 million in international fixed-income and $87 million in international balanced accounts for U.S. tax-exempt clients as of March 31.

The equity assets were committed most heavily to Japan, the U.K., Australia, West Germany and France.

All of the U.S. tax-exempt international assets were in commingled index funds invested abroad.

The firm provides indexed management, tracking the EAFE or or FT-Actuaries equity and Salomon World Government Bond indexes. Each fund is composed of commingled country funds, allowing flexibility for custom country weightings. The firm offers asset allocation funds in Japan and the U.K.; "tilted" Japan equities; dynamic or static currency hedging; and South Africa-free EAFE index funds.

Non-U.S. currency hedging is used for 13% of U.S. tax-exempt assets managed.

Of the international/global U.S. tax-exempt assets, $87 million is actively managed; $1.612 billion is passively managed; and $255 million is managed in an active/passive program. It manages $2.271 billion in U.S. markets for non-U.S. based clients.

Analysts or portfolio managers are stationed in San Francisco.

The firm has been registered with the SEC since 1985.

Frederick L.A. Grauer is chief executive officer; Michael J. Henman, senior vice president, is client contact.

WorldInvest Ltd.

56 Russell Square, London WC1B
4HP, U.K.; 01-637-3322
120 E. 56th St., New York, N.Y.
10022; (212) 755-0900

Total assets managed	$2,701,000,000
Non-U.S. pension assets	$1,053,000,000
U.S. tax-exempt assets	$1,648,000,000
International	$726,000,000
Global	$922,000,000
U.S. tax-exempt clients	32
Minimum separate account	$10,000,000

WorldInvest Ltd., a subsidiary of WorldInvest (Holdings) Ltd., managed $229 million in international equity, $492 million in international fixed-income and $5 million in international balanced accounts for U.S. tax-exempt clients as of March 31.

The international equity assets were committed most heavily to Europe, the Far East, Canada and Australia.

As of the same date, the firm had $96 million in global equity, $747 million in global fixed-income and $79 million in global balanced accounts.

The global equity assets were committed most heavily to Europe, the U.S., the Far East, Canada and Australia.

The firm had $121 million in commingled accounts invested abroad.

The firm takes a top-down equity approach using emerging growth and low p/e stocks. Emphasis is on companies with improving margins, product innovations and expanding markets. Its fixed-income approach is influenced by interest rate anticipation. Market, duration and currency decisions are based on fundamental analysis. Managers do selective swaps between sectors and borrowers.

The firm uses non-U.S. currency hedging for 40% of U.S. tax-exempt international fixed-income and 55% of U.S. tax-exempt global assets. Currency forward exchange contracts are used.

All U.S. tax-exempt assets are actively managed. It manages $1.053 billion in U.S. markets for non-U.S. based clients.

Analysts or portfolio managers are stationed in London.

The firm has been registered with the SEC since 1985.

Keith Brown, chairman, is chief investment officer; Francois Dennery, director, is client contact in New York.

UPDATE

Wang seeks out niche

LOWELL, Mass. — With 13 international locations, Wang Laboratories is betting it can find a niche and make its new investment subsidiaries successful.

Last year, the company formed two investment subsidiaries, which manage about $200 million.

The lion's share — about $160 million — comes from Wang's own pension, profit-sharing and 401(k) funds.

Most of the remainder comes from limited partners in Taiwan, who have invested in Wang's $50 million Golden Gate venture capital fund.

The fund, first offered in June 1988, primarily is invested in "companies that have a particular relevance to Taiwan," said Martin Goldman, president of both subsidiaries, Wang Development and Investment Corp. and Wang Development Capital Corp.

"We've received incredible demand for our venture capital funds," said Carole Schumann, national sales director for the subsidiaries. Ms. Schumann was hired in October from Bear, Stearns & Co., New York.

Mr. Goldman declined to comment on reports that Wang is preparing a second venture capital fund.

Although the Wang Development Capital arm hasn't yet landed any clients, Mr. Goldman is not worried. He said it is unreasonable to assume the firm will get clients immediately after cold calls.

Its targeted clients are corporate pension funds, endowments and foundations.

"We are taking a long-term view," he said. "In reality, we are just hitting our stride."

Mr. Goldman said the firm, which offers global leasing and export services, has the infrastructure in place for management of anywhere between $200 million and $2 billion.

"The niche market of global financial business has outstanding potential," Mr. Goldman said. "The financial marketplace is truly global and we have experience there."

Golann joins Warburg

NEW YORK — Steven W. Golann has joined Warburg Investment Management International Ltd., with responsibility for marketing and client services.

Mr. Golann formerly was managing director for Wertheim Philippe International, New York, a partnership between The Philippe Group, a Paris-based money management firm, and Wertheim Asset Management Services Inc., New York.

The partnership was dissolved earlier this year, partly because of mounting pressures by Wertheim Schroder & Co. Inc., Wertheim Asset's parent company, to expand beyond the level to which Philippe executives felt comfortable.

Colin Clark, who was formerly in charge of marketing services at Warburg, returned to Warburg's operation in London.

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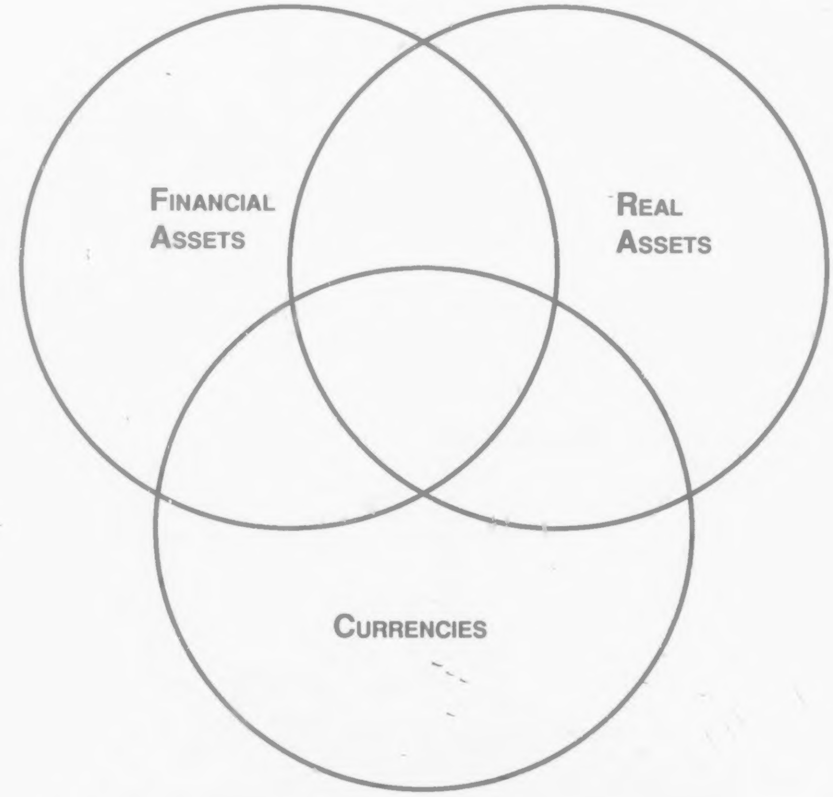

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CHASE

Japan indexes able to capture the big picture

By Barry B. Burr

CHICAGO — A new Japanese stock index published by I[illegible]botson Associates Inc. confirms the overall pattern of returns produced by four other Japanese indexes, although in some years the returns vary by more than 10 percentage points.

In 1988, for example, the returns of the five indexes ranged from 30.6% to 38.2%. In 1986, the returns ranged from 85.9% to 104.3%.

The differences arise because of variances in the makeup of the indexes, according to the producers of the indexes and consultants. They share the similarity of being market-value weighted.

In deciding which indexes to use as a benchmark, Michael J. Howard, U.S. director-international services at SEI Corp., Chicago, said, "You need to figure out what your objective is and to understand the methodologies used to construct the indexes."

Ibbotson Associates' index of the Tokyo Stock Exchange-Section 1 listed companies is the most comprehensive of the five indexes. It is known as the Hamao/Ibbotson TSE-1 Index after Yasushi Hamao, assistant professor of finance at the University of California-San Diego and a partner of Roll and Ross Asset Management Corp., Blue Bell, Pa., who compiled it in collaboration with Roger G. Ibbotson, president of Ibbotson Associates, Chicago, and professor of finance at Yale University, New Haven, Conn.

The Hamao/Ibbotson TSE-1 index is part of a comprehensive compilation of returns of Japanese major asset classes, namely stocks, including indexes of the TSE-Section 2 and Japanese small stocks, bonds and short-term interest rates, published by Ibbotson Associates. All of its returns begin in 1971.

As one of the accompanying tables shows, the returns on Japanese assets in dollar terms outpace the returns on their U.S. counterparts, even on a risk-adjusted basis.

In equities, the Hamao/Ibbotson TSE-1 index is the most thorough of the indexes tracking stocks on the TSE-Section 1. It began in 1971 an[illegible] every stock; at the end [illegible] the TSE-1 consisted of [illegible]s.

The Ha[illegible]on index also includes re[illegible]nt of dividends, as d[illegible] of the four other indexes. [illegible] exception is the Tokyo Stock Price Index, or TOPIX, which also includes all the TSE-1 stocks.

During the 18-year period, the Hamao/Ibbotson TSE-1 index shows dividend income averaged a compound annual 1.8% compared to 4.4% for the Standard & Poor's 500 Stock Index.

"Dividends aren't significant in Japan," said James Smith, assistant portfolio manager at Kemper-Murray Johnstone International Ltd., Glasgow, Scotland, who supplied the TOPIX returns.

The Nikkei 225 Index, published by Nikkei Newspaper Co. of Japan, is a share-price weighted index, similar to the widely quoted Dow Jones Industrial Averages. It consists of only 225 stocks and focuses generally on manufacturing industries. With such emphasis, it has become less broad based as financial and other services industries become increasingly important.

The Japan subindex of the Europe Australia Far East Index, produced by Morgan Stanley & Co., New York, had 265 stocks of the TSE-1, representing about 65% of its market weighting. It also excludes Japanese stocks not available to U.S. investors, like Nippon Telephone & Telegraph Co.

The Salomon-Russell Japan Index, produced by Salomon Brothers Inc., New York, and Frank Russell Co., Tacoma, Wash., consists of 163 stocks, designed to mirror the sector weights of the TSE-1. It comprises about 65% of the "available" capitalization of the market in Japan. The stocks are weighted to adjust for the actual available supply, eliminating government holdings, corporate cross-holdings and stocks U.S. investors can't buy. That adjustment eliminates roughly 30% of the market, said Michael Mahaffy, Salomon international portfolio specialist.

The FT-Actuaries Japan Index, produced by Goldman, Sachs & Co., New York, Financial Times Ltd. of London and County NatWest/Wood Mackenzie, London, has 455 stocks. The Salomon-Russell index and the FT-Actuaries Japan in[illegible] have short histories, beginning, respectively in 1985 and 1981. ■

Index comparisons in dollar terms

	TSE-1 Hamao/Ibbotson	Morgan Stanley EAFE Japan	FT-Actuaries Japan	Salomon Russell Japan	TOPIX	Nikkei	S&P 500
1988	30.6%	35.5%	[illegible].2%	38.2%	32.7%	34.8%	16.8%
1987	42.8	43.2	42.2	38.9	44	52.5	5.2
1986	85.9	99.7	95.6	104.3	89	79.1	18.5
1985	45.3	43.4	43.9	45.5 *	44	42.1	32.2
1984	16.9	17.1	17.3		15.[illegible]	7.6	6.3
1983	29	24.9	27.1		24.9	25.2	22.5
1982	−0.9	−0.5	−0.2		−2.6	−2.3	21.4
1981	11.6	15.9	13.2 *		7.4	−0.1	−4.9
1980	26.1	30.2			26	27.5	32.4
1979	−15.6	−11.8			−17.2	−11.2	18.4
1978	56.7	53.4			52.4	52.3	6.6
1977	17.9	15.9			16	19	−7.2
1976	27.2	25.7			23.5	19.3	23.8
1975	17.5	20			14.3	12.6	37.2
1974	−12.9	−20.5			−15.4	−17.5	−26.5
1973	−15.9	−15.4			−17.7	−10.8	−14.7
1972	115.1	127			110.1	100	19
1971	57.9	55			52.6	56.2	14.3

*First year of index

Sources: Ibbotson Associates Inc., Chicago; Goldman, Sachs & Co., New York; Salomon Brothers Inc., New York; Kemper-Murray Johnstone International Inc., Glasglow, Scotland; Frank Russell Co., Tacoma, Wash.; other.

Comparison of returns and risk, 1971-1988

	Return*	Standard deviation*
TSE-1 (yen)	18.6%	26.5%
TSE-1 (dollar)	25.7	33.4
EAFE-Japan (yen)	19.2	–
EAFE-Japan (dollar)	26.5	–
TOPIX (yen)	16.6	–
TOPIX (dollar)	23.6	–
S&P 500	11	16.5
TSE-2 (yen)	13.4	26.9
TSE-2 (dollar)	20.1	34.7
TSE-1 small (yen)	23.7	29.6
TSE-1 small (dollar)	31.1	42
NYSE small	15.9	23.7
Long-term gov't bonds (yen)	8.5	5.6
Long-term gov't bonds (dollar)	14.9	17.8
U.S. long-term gov't bonds	8.4	12.2
Long-term corporate bonds (yen)	9.1	5.2
Long-term corporate bonds (dollar)	15.6	17.4
U.S. long-term corporate bonds	8.8	12.6
Short-term interest rate (yen)	6.9	2.4
Short-term interest rate (dollar)	13.3	14
U.S. Treasury bills	7.6	2.8
Inflation (Japan)	5.6	5.6
U.S. inflation	6.4	3.5

*Compound annual

Sources: Ibbotson Associates Inc., Chicago; Morgan Stanley & Co., New York; Kemper-Murray Johnstone International Inc., Glasgow, Scotland.

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Continued from page 3

Pont de Nemours & Co.'s employee compensation and benefits division, Wilmington, Del., and speaking for the Coalition for Retirement Income Security.

In an updated analysis, the Employee Benefit Research Institute, Washington, estimates the CRIS proposal would generate $7.65 billion in revenue between 1989 and 1993.

That estimate is in sharp contrast with the Treasury Department's reaction.

Mr. Gideon said, at first glance, the CRIS proposal actually may lose money "in the near term when all transactions are accounted for," and it clearly would cause a revenue loss in the long run.

Revenue estimates for broader proposals allowing for transfers of surplus pension assets as well as additional pre-funding of retiree medical liabilities were not ready for the hearing, disappointing proponents of those measures. But if government revenue figures ultimately show the more limited CRIS proposal to be costly, the other proposals are likely to be even more expensive.

Administration officials raised other problems with transfer proposals:

- A funding cushion equal to 150% of current liabilities would have to remain in the plan to prevent employers from gaming the tax rules. Current proposals call for a funding cushion of between 115% and 125%.

Officials agreed only 125% of plan liabilities were needed to adequately protect participants' benefits. But unless the cushion were set at the full-funding limit of 150% of current liabilities, the scheme could amount to "backdoor pre-funding," thus increasing revenue losses, officials explained.

- Transferring assets from one set of participants covered by a pension fund to pay for benefits for another employee group "represents a significant departure from the exclusive benefit principles central to ERISA and the Internal Revenue Code," said Ann L. Combs, deputy assistant secretary for the Labor Department's Pension and Welfare Benefits Administration.
- Any new tax incentives for employer pre-funding of retiree health benefits would have to be accompanied by minimum standards to protect plan participants, possibly including vesting, mandatory funding, benefit accruals and non-discrimination rules, officials said.

Employers, however, oppose adoption of ERISA-type standards that could expand employer liability.

Rep. J.J. Pickle, D-Texas, who chairs the Oversight subcommittee, asked Mr. Gideon whether he favors employers terminating their overfunded pension plans or shifting surplus assets to a retiree medical account.

But Mr. Gideon said the question posed a "Hobson's choice," with transfers better for participants but causing a revenue drain for the government. ■

The cost of pre-funding*
$ billions

Revenue effect due to:	Fiscal year 1989	1990	1991	1992	1993	Total
Retiree medical trust payments	$0.69	$1.33	$1.61	$1.84	$2.18	$7.65
Change in pension contributions	−.21	−.38	−.56	−.49	−.29	−1.93
TOTAL	0.48	0.95	1.05	1.35	1.89	5.72

* Estimated five-year impact on U.S. revenue based on a proposal by the Coalition for Retirement Income Security
Source: The Employee Benefit Research Institute, Washington

Bankers win one

Continued from page 1

What's more, they convinced Congress the proposed moratorium had a far more sweeping effect than represented by the amendment's authors, and would have affected a wide range of bank instruments, including time deposits, checking accounts and traditional certificates of deposit.

The moratorium's proponents "couldn't establish that there was any need for it. There wasn't any risk to the FDIC," said Hugh Forcier, a partner in the Minneapolis law firm of Faegre & Benson. Mr. Forcier represents Washington Mutual Savings Bank, Seattle, an issuer of bank insurance contracts, known as BICs, which compete with GICs.

The moratorium provision had been contained within the House thrift rescue bill, H.R. 1278, which passed the House June 15.

But a bipartisan effort led by ranking members of the Education and Labor Committee convinced the House to adopt a substitute amendment, calling for the FDIC to conduct a six-month study on whether federal pass-through guarantees to pension plan participants and to individual investors in unit investment trust funds pose a risk to the federal insurance funds.

A similar amendment is in the Senate thrift bill. The bills will go to a conference committee shortly, and congressional leaders hope to present a final bill to President Bush by the July Fourth recess.

At issue was pass-through insurance provided to investments by retirement plans in banking instruments. Under federal banking agency interpretations, pension funds investing in bank deposits are entitled to federal deposit insurance of up to $100,000 per plan participant, meaning a single fund could obtain millions of dollars of protection on its investments.

The hotly contested issue began as an insurance industry attack on the growing market share banks were taking in the $150 billion GIC market. In the past two years, banks have entered the field with BICs, and have swiftly captured much of the short-term market. They expect to write between $25 billion and $30 billion a year in BICs.

But as the debate proceeded, it became apparent the moratorium provision — which would have affected pension investments made after April 6 — could have applied to hundreds of billions of dollars of pension and profit-sharing investments in bank products.

American Council on Life Insurance lobbyists argued the pass-through insurance posed a risk to the FDIC and that federal insurance provided an unfair marketing advantage to banks.

But first the American Bankers Association and then labor and other interest groups rallied against the moratorium provision, which also was opposed by the Department of Labor. The groups said the moratorium would disrupt pension investments despite a lack of evidence that such investments threatened the federal banking insurance funds.

They obtained important support from FDIC Chairman William Seidman. In a letter to Rep. Stephen Neal, D-N.C., Mr. Seidman said the pass-through provisions provided "no significant risk to the insurance fund," would affect a wide range of instruments and would interfere with the agency's ability to carry out its job.

As much as anything, the House Education and Labor Committee won an important jurisdictional fight with the House Banking, Finance and Urban Affairs Committee, which had approved the moratorium provision sponsored by Rep. Charles Schumer, D-N.Y.

A group of 30 labor committee members — led by Chairman Augustus F. Hawkins, D-Calif.; Rep. William F. Goodling, R-Pa., Rep. William L. Clay, D-Mo.; and Rep. Marge Roukema, R-N.J. — opposed the moratorium.

In the June 15 floor debate, banking committee members warned that granting pass-through deposit insurance would cause weak banks to seek pension deposits by offering high rates of interest and passing the risk to the federal government.

"I predict not too far in the future we are going to be standing in this well of the House, not with a bailout of the S&Ls, but a bailout of the banking institutions of this country because of the irresponsible act today of the Committee on Education and Labor, bowing down to organized labor," said Rep. Paul E. Kanjorski, D-Pa.

Labor committee members countered those charges.

"Do not let the climate of serious concern over the dimensions and costs of our current problem with the thrifts cause us to take action to disrupt pension plan investments without any concrete examples of abuse," argued Mr. Clay, who chairs the House Labor Subcommittee. ■

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Searches up

Continued from page 1

outperformed the Standard & Poor's 500 Stock Index as well as larger-cap stocks in the first quarter of 1989, according to DeMarche Associates Inc., Kansas City, Mo. The DeMarche small-cap index was up 8% for the quarter, compared with 5.6% for DeMarche's large-cap index and 7% for the S&P.

After underperforming larger issues in the fourth quarter of 1988, small-cap stocks, as measured by the Russell 2000 Index, turned around in the first quarter. The Russell 2000 ended the first quarter up 7.78%, continuing a trend that started in 1988 when the Russell 2000 ended the year up 24.9% compared with 16.5% for the S&P.

For the first five months of 1989, the Russell 2000 was up 17.2% compared with 16.8% for the S&P.

The Russell 2000 tracks performance for 2,000 stocks with market values between $25 million and $370 million.

As indicated by Mr. Kern, asset allocation studies have been part of the impetus for the hiring of small-cap managers by several pension plans, including the Tucson Supplemental Retirement System and the Los Angeles County Employees Retirement Association. The Houston Municipal Employees Pension Plan also is considering small-cap allocations.

Joseph Barkenbush, asset director-finance for the $145 million Tucson plan, said the system hired D.S. Kennedy & Co., San Francisco, to run a $10 million small-cap portfolio following an asset allocation study by Becker, Burke Associates, Chicago, this year.

"Becker, Burke and our (investment advisory) committee felt small caps were the place to be for the long term. Our view is that performance for this sector will be going up and is starting to take off," he said.

Mr. Barkenbush said Kennedy will complement the system's two core equity managers.

The $8 billion Los Angeles County plan split $400 million among five small-capitalization specialists in April following an asset allocation study by the Chicago office of Callan Associates.

Cliff Tuttle, executive director of the $460 million Houston Municipal plan, said his fund is considering the addition of a small-cap manager because of the long-term performance record of small-cap stocks.

Small stocks pay off in long run

Investment	Real annual return*
Secondary equities	7.8%
Foreign equities	6.9
Major equities	6.1
Farmland	5.4
Art	5
Timberland	4.5
Residential real estate	4.1
Commercial properties	3.7
Foreign bonds	3.7
Gold	3
U.S. government bonds	2.6
Corporate bonds	2
Short-term investments	1.6

*Average annual total return, 1946-1988; total return less 4% annual inflation

Source: Morgan Stanley Research

"We thought we needed to get on the train; this is an attractive asset category to be in," said Mr. Tuttle. He said the fund's consultant, the Houston office of SEI Corp., is assessing managers and how much should be placed in small-cap stocks.

"Previously, small-cap investments were considered more risky in the public sector and the smaller funds were more interested in value growth managers. We think they (small-cap stocks) have demonstrated over the last 2, 5, 10 years there is money to be made there and the risk is not as high as is generally perceived," he said.

And Ken Weaver, assistant comptroller-insurance at the $1.4 billion Army & Air Force Exchange Service, Dallas, said the fund is "testing the water" in looking for an international small-cap manager to complement its existing $130 million domestic small-cap portfolio.

"We're looking to see if it fits," he said. "Over time we believe small-cap stocks give superior performance. We believe small-cap as a portfolio asset class has an overall role in our portfolio for some time."

Robert Marchesi, president of DeMarche Associates, said manager searches for small-cap managers have been "quite solid" for the past year.

"Clearly, small-cap stocks have gotten cheaper relative to the market. They underperformed from 1983 through 1987 and with the overall market coming down to more fairly valued, relatively speaking small-cap stocks were cheap," he said. "Small-cap stocks have always done better after a large correction historically; they have always bounced back."

Bert Dohmen, president and chief investment officer of Wellington Financial Corp., Honolulu, said small-cap stocks are the "big story" in the next wave of the current bull market for stocks.

"Small-cap stocks are selling at the same price/earnings ratios as the blue chips. Usually their p/es are much higher, because of their faster growth rate. Therefore, if we expect the p/e differential to return to historical levels, small-cap stocks should outperform the blue chips during the current bull market phase. All of our indicators point in that direction," he said.

John Palicka, chief portfolio manager and managing director at MIDCO Investors, Newark, N.J., said with the relative valuation levels favoring small-cap stocks, "now you can almost buy a Mercedes for just over the price of a Chevrolet."

Ben Fischer, principal with NFJ Investment Group Inc., Dallas, said the recent secular trend toward index equity funds might be slowing and that also could work to the benefit of small-cap stocks.

"The money flow (to index funds) created a wave of large-cap performance. You find a gradual skewing of the S&P performance upward from the in- and outflow to index funds, which hurt small-cap stocks," he said. "When you look at small-cap stocks, there has been an extreme effect because of the flow to indexing which peaked in 1987. Starting in 1988 this trend tailed off and small-cap stocks surged." ■

401(h) survival doubted

Continued from page 3

prised" if the IRS position is not long-lived.

But there are problems in calculating how much revenue could be generated, he said, because the guidance has come only in private letter rulings, which do not establish legal precedents. Without more general guidance, each employer must apply individually to obtain a favorable ruling.

The Treasury Department has acknowledged the difficulties in calculating the revenue impact. At a June 14 House Ways and Means Oversight Subcommittee hearing, Kenneth W. Gideon, assistant secretary for tax policy, said it is hard to predict whether employers will choose to pre-fund retiree health benefits through 401(h) accounts rather than invest in ongoing business operations.

Mr. Gideon also said the extent of retiree health liabilities is uncertain because of rising health care costs and the nature of the benefit involved, and proposed accounting rules that are scheduled to take effect in 1992 still have a long way to go until they are made final.

Assuming the accounting rules take effect, employers don't alter their retiree health promises, pension funding levels remain about the same and a large number of employers choose to pre-fund their retiree health liabilities, the Treasury Department estimated the IRS rulings eventually will cost the government about $500 million a year in revenue.

Congressional leaders also have taken umbrage that the IRS apparently has made a significant policy change without seeking legislative approval.

At the June 14 hearing, Rep. Raymond J. McGrath, R-N.Y., questioned why the IRS was better able to expand pre-funding of retiree health liabilities through 401(h) accounts than the Congress. "They're (IRS officials) not elected," he complained.

Mr. Gideon replied IRS officials thought they were making a correct interpretation of the law, and not setting policy.

Mr. Mason urged employers to adopt 401(h) accounts now so they can be "grandfathered" in case the tax law is changed.

But Henry Savath, a principal at A. Foster Higgins & Co., New York, said he is "starting to wonder if they (the IRS) will be issuing rulings given the concerns being brought forward." He said some employers had expressed interest in establishing 401(h) accounts, but there is a time lag before most companies are able to take action on such issues. ■

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Concession

Continued from page 1

Rodgers said.

In the past, institutional investors sponsoring poison pill resolutions have pushed for rescinding the plans or putting the pills to a shareholder vote. Officials of such funds as the California Public Employees' Retirement System and the Teachers Insurance and Annuity Association — College Retirement Equities Fund talked to the companies, won certain promises stemming from their demands, then agreed to withdraw the poison pill resolutions. That was the case with $67 billion TIAA-CREF and Dayton Hudson Corp., and California and Great Northern Nekoosa Corp.

Never before has a company management agreed to revise a plan, put it to a vote and urge shareholders to approve it in the proxy.

Besides the National Intergroup case, the 1989 proxy season was highlighted by a host of other examples of improved communication between corporate America and institutional investors.

The corporate governance initiatives this year focused on poison pill resolutions and confidential voting proposals, and a smattering of first-time resolutions such as one calling on companies to opt out of Delaware's anti-takeover law. Sponsors of these resolutions said they were pleased with the results, believing they had made progress in winning shareholder support on a range of corporate governance issues.

Jose Arau, principal investment officer with the $46 billion California Public Employees' fund, Sacramento, one of the most active public pension funds, said shareholder support grew for many of the fund's initiatives. He was especially happy about the agreement worked out with Great Northern Nekoosa.

John Wilcox, managing director at Georgeson & Co., New York, a proxy solicitation firm that represents many large corporations, said institutional investors clearly were better organized and informed this year. Plus, corporate executives took very seriously the corporate governance resolutions the investors sponsored.

"After this proxy season, I don't think anyone can accuse shareholders of being passive or label institutional investors a 'sleeping giant' any longer — although some managements have indicated they wouldn't mind if the giant did go back to sleep," said Peg O'Hara, director of the corporate governance service at the Investor Responsibility Research Center, Washington.

"Shareholders this year submitted a record number of shareholder proposals — some in areas never touched on before — and racked up substantial votes for them. At several companies they went beyond shareholder proposals and waged all-out proxy solicitations against management proposals or policies, and in at least one case — Honeywell Inc. — the shareholders won."

At Honeywell, shareholders defeated two proposals following a major campaign by the California Public Employees' Retirement System, the Pennsylvania Public School Employes' Retirement System, Institutional Shareholders Services Inc. and North American Partners, a firm associated with Texas investor Richard Rainwater. The two proposals called for adoption of a board classified by staggered terms and would have eliminated shareholders' rights to act by written consent without a meeting. Although management fought hard for shareholder support, the shareholders group won out, marking the first time a major proxy solicitor was hired by institutional investors in a successful contest.

Ms. O'Hara noted shareholders this year sought discussions with corporate managements on a much larger scale than before. Eight companies this year joined the list of those voluntarily adopting confidential proxy voting, and three have agreed to redeem or put their poison pill shareholder rights plans to a vote within three years.

"Some shareholder resolutions were withdrawn — sometimes after concessions were made, sometimes when they weren't; sometimes the two sides simply agreed to disagree, but both said they benefited from talking," Ms. O'Hara said.

Several other pre-annual meeting victories underscored the trend. Texaco Inc. nominated a director to its board to represent institutional investor interests, and the California Employees' system agreed to withdraw a proposal to set up a shareholder advisory committee there.

After the Alaska oil spill, Exxon Corp. bowed to pressure from the more than $35 billion New York City Retirement Systems, agreeing to put an environmentalist on its board and to take other steps sought by shareholders to improve the company's environmental performance. The New York City systems had threatened to vote all of its 6 million shares against the Exxon board.

Robert Monks, president of Institutional Shareholder Services Inc., a Washington consulting firm, concurred 1989 was a quieter proxy season than last year, with less hostility and more communication.

With the 1989 proxy season about to wind up, stockholders have voted on 17 poison pill resolutions so far. The average vote was 37.4%. That's up slightly from last year, but overall the poison pill resolutions did not net much more support from shareholders in 1989 than they did in 1988.

The secret ballot proposals, however, fared better. The average vote based on 35 proposals was 27.4%, up about 6% from 1988.

The average vote for the resolutions to opt out of Delaware's takeover law at Boeing Co., Ford Motor Co., Kimberly-Clark Corp. and Lockheed Corp. was 16.4%, a respectable vote for a first-time resolution. Another new resolution, sponsored by the California State Teachers' Retirement System calling on Dow Chemical Corp. to put any "golden parachutes" to a shareholder vote, netted 26.1% for the resolution. ■

Summary of 1989 proxy votes*

	For	Against
Anti-greenmail		
Ameritrust	15.2%	84.8%
General Motors	27.8	72.2
Goodyear Tire & Rubber	26.8	73.2
J.C. Penney	32	68
Golden parachute		
Dow Chemical	26.1	73.9
Equal access to the proxy		
Amoco	5.5	94.5
Bank of New England	7.3	92.7
Chevron	5.2	94.8
Opt out of Delaware anti-takeover law		
Boeing	19.3**	
Ford Motor	7.4	
Kimberly-Clark	16.1	
Lockheed	22.9	

*Results as of June 19, some numbers are preliminary

**Of outstanding shares

Source: Investor Responsibility Research Center Inc., Washington

Summary of 1989 proxy votes*

POISON PILL

	For	Against	Abstain
Alexander & Alexander Services	28.5%	62.3%	9.2%
American Cyanamid	28.3	63.8	7.9
Avon Products	39.9	33.2	26.9
Boise Cascade	33.7	63.4	2.9
Bristol-Myers	25.2	60.1	13.7
CSX	33	53.4	13.6
Champion International	46.8	49.2	4
Consolidated Freightways	48.3	44.5	7.2
Halliburton	35.2	51.8	13.1
Kerr-McGee	39	44.2	12.7
Polaroid	16.5	63	20.5
Squibb	33.4	52.6	14
TRW	33.3	64.4	2.3
USAir Group	48.3	48.5	3.2

SECRET BALLOT

	For	Against	Abstain
Allied Signal	25.8%	72.1%	2.1%
American Electric Power	13.8	76.4	9.8
Amoco	19.5	78.9	1.6
Avon Products	27	48.9	24.1
Boise Cascade	32.3	65.9	1.8
Caterpillar	19.8	67.5	12.7
Colgate-Palmolive	18.9	67.4	13.7
Dayton-Hudson	35.8	61.5	2.7
Dow Chemical	21.9	68.9	9.2
GTE	21.3	76.5	2.2
Gentex	15.3	57	27.7
Gillette	26.1	70.9	3
Honeywell	32.5	66.2	1.3
K mart	36.4	52.5	11.1
Lockheed	28.9	53.3	17.8
MNC Financial	12.7	79.6	7.6
McDonald's	25.1	62.7	12.2
Mobil	22.8	74.9	2.3
Monsanto	24.7	62.1	13.2
Ryder System	37.9	52	10.1
Santa Fe S. Pacific	9.1	89.1	1.8
State Bancorp	33.1	61.8	5.1
Stone Container	29.4	55.1	15.5
Texaco	24.9	73.1	2
USAir Group	44	53.2	2.3
Upjohn	15.1	65.4	19.5
Whirlpool	36	55.2	8.8

*Results as of June 19; some numbers are preliminary

Source: Investor Responsibility Research Center Inc., Washington

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Venture capital

Continued from page 2

quartiles. The funds would not be identified.

Valuation of venture capital investments on an interim basis — before the funds are liquidated, which usually occurs after 10 years — is necessarily imprecise, Mr. Holaday said. Such imprecision does not make such valuation meaningless, however, as interim and final returns generally are correlated, he said.

Also, often in the third or fourth year of a fund's life, general partners are out raising another fund and talking about past performance, and potential investors need to know how these returns measure against others, he said.

Mr. Holaday's proposal for valuing venture investments is largely a reflection of the practices the funds currently use. Private companies in a venture capital fund's portfolio normally should be valued at investment cost unless there has been a subsequent equity financing or a significant change in current or projected operating performance, he said, with appreciation or reduction in value recognized primarily when there has been a transaction by a sophisticated new investor.

He also proposed a variety of rules covering special situations.

He proposed various discounts for valuation of publicly traded securities, depending on whether they are restricted or unrestricted and how substantial the venture fund's position is in these securities.

The return measurement, he said, ultimately should be the cash-on-cash return to limited partners. This should take into account cash drawn down, cash and stock distributions and current portfolio valuations. Also, the performance should be adjusted for annual management fees and general partners' carried interest, that is, the percentage of profits they are entitled to receive.

Pension fund executives who attended the conference generally were enthusiastic about development of performance measurement standards.

"I'm a proponent of it," said Claudia Brown, manager-pension investment administration at Southwestern Bell Corp., St. Louis. "I was very pleased to see that the managers we've hired for our account are in the forefront on this issue."

First Chicago manages $75 million in venture capital for the more than $6 billion Southwestern Bell pension fund; Bigler/Crossroads, Farmington, Conn., handles $50 million.

Ms. Brown added she's happy venture capitalists' resistance to comparative performance measurement has lessened. Venture capitalists have been concerned it might lead to a short-term performance orientation for what is by nature a long-term investment, but most institutional investors are sophisticated enough to avoid this pitfall, she said.

Susie Mukai, investment analyst for the $3.9 billion Illinois Municipal Retirement Fund, Chicago, said it's a good idea to standardize venture capital performance measurement. Her fund has $120 million committed to venture capital.

Venture capitalists gave the concept varying reviews. "I think, on balance, it is a good thing," said Edwin A. Goodman, general partner of Hambro International Venture Fund, New York. "As you have more institutions interested (in venture capital), you have to respond to what they need, and what they need is a better system of measurement. . . . It's one of the classic signs of a maturing industry."

Stanley Golder, general partner of Golder, Thoma & Cressey, Chicago, cautioned that valuing private companies is extremely subjective. Still, there are positive elements to comparative performance measurement, he said.

Richard M. Burnes Jr., general partner of Charles River Ventures, Boston, said he found Mr. Holaday's proposal quite reasonable. Yet Cornelius Ryan, general partner of Oxford Partners, Stamford, Conn., expressed concern that performance evaluation is concentrating on quantitative information, while qualitative factors remain important. (While most of the proposal focused on quantitative information, Mr. Holaday did note investors need to make qualitative judgments.)

Venture Economics' Ms. Vincent also said investors should look at qualitative information. "It's still necessary to do due diligence on fund managers. I don't know any way of shortcutting that," she said.

The committee's performance measurement system would be, to some extent, competition with the services provided by Venture Economics and other consultants, she said, but consultants also do other work, such as helping investors interpret data and make qualitative judgments about venture funds. She added she endorses standardization of the valuation process. ■

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Directed trades go abroad

Practice helping trim expenses

By Joel Chernoff

Faced with a shrinking level of domestic equity trades, some pension executives are directing a portion of their foreign brokerage to help pay off their consulting fees and other plan expenses.

Spearheaded by Frank Russell Co., Tacoma, Wash., more than 30 of its clients worldwide now are pursuing the practice, including such major funds as the $30 billion American Telephone & Telegraph Co. fund and the $2.5 billion Monsanto Co. pension fund.

If the practice becomes widely adopted, it will further cut pension administrative costs, possibly complicate the lives of international managers and their traders and cause some dislocations in the foreign brokerage communities as those who decline to rebate commissions lose business to those who do.

The business didn't exist two years ago but is expanding rapidly, explained Jan Twardowski, president of Frank Russell Securities Inc., Russell's brokerage arm.

"Last year, we did gross commissions of $2 million and will do roughly double" that level in 1989, Mr. Twardowski said. Russell's U.S. pension fund clients have about $20 billion invested abroad, so business still could expand considerably.

Others also are looking to international trading as a way to generate business. SEI Corp., Wayne, Pa., also permits clients to pay for performance measurement and manager search activities through international trading, but so far the response has been very limited, said Edward Loughlin, senior vice president.

Major U.S. fund executives have established budgets for commission rebates. But as domestic equity trading levels have decreased since the October 1987 market crash, pension funds have sought new avenues to make up the lost amount of commission dollars used to pay consulting, custodial and actuarial fees.

The major alternatives have been in foreign equities and domestic bonds, but the decline in recaptured commissions from domestic equities has led pension funds to look also at recapturing commissions from trades on financial futures and over-the-counter stocks.

"It's an ability to pay for some of the costs of the plan without increasing commission dollars," explained Al Wolfarth, assistant treasurer for St. Louis-based Monsanto, whose pension fund has 10% of its assets, or some $250 million, invested internationally.

Mr. Wolfarth and others said, however, the amount of commission dollars that can be garnered from interna-

Continued on page 46

Burkes protests deals, is ousted

By Marcia Parker

MADISON, Wis. — The state attorney general and the state auditor are investigating allegations the State of Wisconsin Investment Board approved three questionable real estate investments involving a broker with political ties, and paid him hefty finders' fees but refused to disclose them.

The probe was sparked by complaints from Marshall Burkes, who served as executive director of the $16.4 billion state pension fund for almost two years. Mr. Burkes was terminated by the investment board June 23, two days after he complained to the state government officials who oversee the pension fund.

In an extensive memorandum to the state authorities, Mr. Burkes alleged the board approved three real estate deals involving M. William Gerrard, a lobbyist, former political leader and real estate broker in the city of La Crosse. Mr. Burkes alleged Mr. Gerrard exerted political pressure to gain board consideration of real estate projects for which he earned hefty finders' fees.

Mr. Burkes also challenged the practice of paying finders' fees to people such as Mr. Gerrard, who bring projects to the board, and then failing to disclose them, among other practices. He said he was threatened with the loss of his

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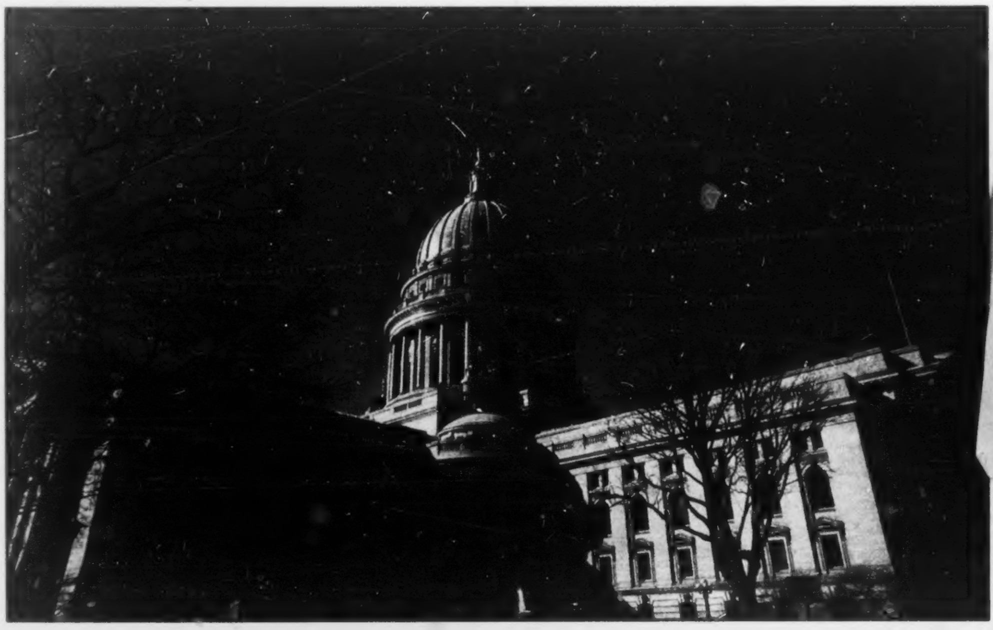
Photo by Tim Berger

Wisconsin officials are reviewing real estate deals involving the state investment board, which is based in the capital. The probe stems from charges made by Marshall Burkes, the former executive director.

L.A. County EAFE fund called too costly

By Steve Hemmerick

LOS ANGELES — An international index fund set up for the Los Angeles County Employees' Retirement Association as a low-cost way to mirror the Morgan Stanley Capital International Europe Australia Far East Index has been criticized for costing too much to construct and for failing to closely track the index.

The criticism came in a report prepared for trustees of the Los Angeles County fund by Barry W. Dennis, senior vice president of Callan Associates Inc., and Toby Westbrook, Callan's vice president of international consulting services.

Some trustees asked Callan to investigate what they thought was a discrepancy in the tracking of the new $450 million index fund managed by Chase Investors Management Corp., New York.

The fund lost almost half of its investment return for the first one-year period because of unusually high set-up costs, according to the report. Mr. Dennis said the fund lost just under $6 million because of what he termed the improper implementation of the index fund.

The index fund was set up in three stages — at the request of pension fund officials — which added to the costs, but the report indicated the costs still appeared unusually high.

Representatives of Chase Investors, which manages about $1 billion total in international equity index assets, disputed the findings, claiming Callan used poor methodology in reaching its conclusions.

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LATE NEWS

Retiree health gain projected

WASHINGTON — A proposal to allow employers to shift surplus pension assets to retiree health accounts would raise $3.2 billion during the next five years, enhancing its prospects for being attached to a tax bill Congress will draft this summer.

The Joint Committee on Taxation's revenue estimate is significantly less than the $6 billion revenue gain cited by the proposal's authors, the Coalition for Retirement Income Security, but erases Department of Treasury concerns the proposal would reduce revenue in the short run.

The $3.2 billion figure assumes 125% of current liabilities remain in the pension fund. Assuming a 150% funding cushion, which is favored by the Bush administration, would lower the revenue gain to $1.7 billion.

The proposal still faces obstacles from key legislators and the administration because it addresses pre-funding of retiree medical benefits for a narrow group of companies and employees.

Rep. Rod Chandler, R-Wash., believes any new revenue generated by the CRIS proposal should be dedicated to pre-funding retiree health benefits, an aide said. But that position will face opposition by members of Congress seeking to raise $5.3 billion in new revenue.

Howard Weizmann, executive director of the Association of Private Pension and Welfare Plans, Washington, said the new revenue estimates make the proposal "golden," and the big question is whether the funding cushion will be 125% or 150%.

McMahan, Mellon eye merger

McMahan Real Estate Advisors Inc., San Francisco, and Mellon Real Estate Investment Management Corp., Stamford, Conn., are hammering out a deal to combine their companies.

"We've been discussing this formally since early June," said John W. McMahan, president of McMahan. "The proposal is that we'd merge the entities. If we do merge, our plan is to dramatically expand our operations; we'd be expanding our research side, and expect to expand our asset management base."

No agreement is expected until the end of July. Among the issues are how much money would change hands, whether there would be a stock swap and what name the new company would use. A spokesman for Mellon declined to comment.

McMahan has $570 million in tax-exempt real estate assets; Mellon, $1 billion.

The $545 million Colorado Fire & Police Pension Association, Englewood, a client of Mellon until last month, hired McMahan because McMahan offered better service, said Richard Holck, assistant executive director of the Colorado fund. Mr. Holck said he would find the merger "very interesting."

Regan prods corporate funds

NEW YORK — New York State Comptroller Edward Regan, sole trustee of the $38.9 billion New York State & Local Retirement Systems, wants to know more about pension investment policies and corporate governance issues.

Mr. Regan has asked the Financial Executives Institute and the New York Business Council, both of which represent many of the country's biggest companies, to prod their members into providing information on corporate pension investment policies and voting records on corporate governance and other issues.

Neither group so far has complied with the request. Mr. Regan said the system also would write the corporations directly and ask them to provide the information in their annual reports.

Mr. Regan's request grew out of his criticism of Gov. Mario Cuomo's Pension Investment Task Force, which he says sidestepped its mandate to probe the investment practices of both public and private sector pension funds, and to study trustee arrangements for public funds.

Methodists select Batterymarch

EVANSTON, Ill. — The $2.9 billion General Board of Pensions — United Methodist Church has hired Batterymarch Financial Management, Boston, to manage an undisclosed amount in an equity portfolio, according to an aide to Gale Whitson-Schmidt, United Methodist's chief financial officer. The aide said funding came from cash flow and did not involve the termination of a manager. She declined further comment.

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Vol. 17, No. 15 — Pensions & Investment Age (ISSN 0273-5466) is published biweekly with a special edition in May, at 740 Rush St., Chicago, Ill. 60611. Second class postage paid at Chicago, Ill. and at additional mailing offices. Postmaster: Send address changes to Pensions & Investment Age, Circulation Dept. 965 E. Jefferson, Detroit, Mich. 48207.

Questionnaires are in the mail

Questionnaires have been mailed for *Pensions & Investment Age*'s annual survey of master trust, master custodial and global custodial banks. In order to be included in the Sept. 4 directory, the questionnaires must be returned by Aug. 1. If you have any questions or have not received a questionnaire, please call Chris-

Economy cools off

Experts predicting no recession in '89

By Leonard J. Hollie

The economy is shifting from a period of rapid growth to one of more modest gains in the second half of 1989 and the first half of 1990, according to economists surveyed by *Pensions & Investment Age*.

Barring a massive federal bailout of the troubled savings and loan industry, few economists see an economic slowdown leading to a recession this year, but they think the chance of a recession occurring in 1990 is more likely.

On average, the panel of economists predicts growth in the gross national product of less than 2%, adjusted for inflation, through the end of the year, and little more than a 2% increase for the first half of 1990.

Two economists, Robert Dederick, chief economist at The Northern Trust Co., Chicago, and Lincoln Anderson, vice president and economist at Bear Stearns & Co., New York, were the least optimistic, both predicting only a 0.5% growth in real GNP for the second half of 1989. Mr. Dederick predicts 1% growth in the GNP for the first half of 1990; Mr. Anderson, 1.5%.

The most bullish prediction of real GNP growth for the second half of 1989 was 3%, by Edward Yardeni, chief economist at Prudential-Bache Securities Inc. He also predicted 3% growth in the first half of 1990.

Some economist see slow economic growth as a way to prevent inflation. "We are going to need a few quarters of negative GNP growth," said David Bostian, president of Bostian Research Associates, New York. "We want the economy to slow down, but not to slow enough to cause inflation."

The panel of economists also gave a lower probability of a recession starting in 1989 — 21% — than in 1990 — 36%. In their year-end 1988 outlook for 1989, the panel of economists, on average, predicted a 22% chance that a recession would start in 1989.

Continued on page 47

Earnings produce concern

By Marlene Givant Star and Marcia Parker

Analysts and money managers are growing more concerned about what they say are clear signs the quality of corporate earnings is deteriorating, even though dividends are increasing at a rapid clip and profits were up during the first quarter.

Prospects for corporate earnings in 1990, meanwhile, hinge on the strength of the economy, with projections ranging from a moderate improvement to a sharp downturn in profits.

In an extensive report on corporate earnings, Stuart Robbins, managing director-research, and Eric Miller, chief investment officer at Donaldson, Lufkin & Jenrette, said analysts and investors must begin paying attention to the quality of earnings. Arguing that reported earnings have had less meaning, they urged DLJ analysts to review the changed quality of earnings in the industries they follow. The report cited developments in a variety of key industries that suggest the quality of earnings must be closely examined.

Variations in industry earnings performances are wider now than at any time in recent history, they said, and the profit growth of the Standard & Poor's 400 since 1984 could exemplify the worst quality on record.

Looking at specific industries, the report said:

- Foreign-sourced and financially induced earnings now represent more than 25% of automobile industry growth.
- Structural changes suggest more volatile and lower quality earnings for wholesale/merchant banks.
- Profitability at consumer-oriented financial institutions could improve rapidly from the standpoint of quality and quantity.
- The use of stock options is contributing to a significant overstatement of current building materials earnings.
- The quality of earnings at conglomerates could be higher, especially in relation to a declining contribution from non-operating profits.

Analysts at Standard & Poor's Corp., New York, believe earnings for the S&P 500 Stock Index this year will rise 17% — less than half

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Top 10 industries by analysts' earnings growth rate consensus

S&P industry sector	1989	1990	Average change in estimate in past 6 mos.
Other major banks	54.0%	12.0%	11.3%
Toys	49.2	16.9	11.9
Coal	47.5	25.9	7.9
Natural gas utilities	42.8	15.7	−7.1
Retail-specialty	41.7	18.8	0.9
Oil well equipment/services	34.9	44.4	−13.4
Misc. transportation	31.5	22.3	−11.5
Railroads	30.4	6.7	−5.4
Major regional banks	27.8	12.3	0.9
Airlines	27.2	−2.4	17.7

Bottom 10 industries by earning growth rates

S&P industry sector	1989	1990	Average change in estimate in past 6 mos.
Money center banks	−22.3	10.2	−4.2
Insurance brokers	−14.8	13.6	−4.4
Building materials	−10.8	9.0	−4.9
Gold mining	−8.2	18.0	−10.1
Manufactured housing	−2.0	−1.9	4.9
Auto manufacturers	0.3	−22.5	3.1
Broadcast media	0.9	12.6	−10.5
International oils	3.1	8.1	6.5
Electrical utilities	3.4	4.3	−1.2
Savings & loans	.7	24.5	−18.0

Source: Institutional Brokers Estimate System

Wells deal to open doors

SAN FRANCISCO — The announced joint venture between Wells Fargo Investment Advisors and Nikko International Capital Management, Tokyo, will function more like a merger than a joint venture, according to Wells' chairman.

Wells Fargo & Co. announced June 28 it was spinning off its investment advisory group to the joint venture. Nikko Securities Co. Ltd., Tokyo, is paying Wells $125 million and will have a 50% stake in the joint venture.

Frederick Grauer, chairman of Wells Fargo Investment Advisors, said the joint venture, pending regulatory approval, will function "like a merger," one distinction to managers.

"Our deal is different from all of those," Mr. Grauer said. "It's a 50-50 split. It's worldwide, exclusive and has the economic incentives that both partners will experience the good and the bad in equal measure."

The venture, which is expected to be finalized and named in the fall, will be based in San Francisco and be headed by WFIA, Mr. Grauer said. Wells will handle the passive investment services offered by each, but no decision has been made so far as to how the venture will affect Nikko Capital Management (U.S.A.), New York, which handles both active and passive investments.

than $59 billion in U.S. tax-exempt assets under management. Nikko International Capital Management has about $11 billion in global assets under management, with $1.6 billion of that from its Nikko (U.S.A.) subsidiary, which has $364 million of U.S. tax-exempt assets under management.

Mr. Grauer said the venture will allow each partner the opportunity to become "real and significant" players in the other's home turf. That is an important move for Wells, he said, because of openings expected in Japan's $142 billion institutional pension market. Only trust and insurance companies are allowed to manage the corporate pension assets now,

Review recommended for endowments

WAYNE, Pa. — Endowment funds that increased their spending during the bull market should review their disbursement policies in light of the possibility of decreased investment returns, a new study said.

The study, by SEI Funds Evaluation Services, Wayne, Pa., said there is strong evidence investment returns in the near future will fall short of the averages experienced in recent years, when many endowments boosted their disbursements.

The 10-year period ended Dec. 31, 1987, was one of unusually high bond income, the study said. During the period, coupon income ranged between 7.5% and 13.5% a year, after having ranged between 2.5% and 7.5% from 1950 until the mid-1970s. Income peaked in the early 1980s and fell to about 9% in the five years ended Dec. 31, 1987. However, the decline may not indicate that rates are due to go back up again, considering the period's deviation from historical norms, according to the study.

Also, the bond income premium over inflation has averaged two percentage points for the past 35 years, as opposed to the 1987 premium of four percentage points.

Total return on equities, net of inflation, was about 7% a year for the past 60 years, compared with 23.5% annually for the five years ended Sept. 30, 1987. (This shortened period was used to assess performance before the October market crash.) In the year ended June 30, 1988, equities had an inflation-adjusted return of −11.5%.

"Assuming that returns for stocks and bonds will, over the long term, vary around the long-run averages, then return expectations for the next three to 10 years will be significantly lower than experienced over the last five years," according to the study, authored by Edward H. Asam, policy planning consultant.

As a result, spending policies that require disbursements of 6% or 7% of an endowment's assets each year might chip away at its principal, as they might exceed the real rate of return on investments.

Endowments spending more than their investments return have three options, according to the study — reduce spending; increase the size of principal through an aggressive development campaign; or adopt a more aggressive investment mix. During falling financial markets, however, the third approach presents an additional threat to principal.

In relation to spending policy, SEI looked at three formulas endowment sponsors might use — disbursements as a percentage of assets; disbursement of a fixed dollar amount increased by the rate of inflation each year; and disbursement of all current income.

For its initial simulations, SEI looked at a $1 million endowment fund with an asset mix of 60% bonds and 40% stocks, assumed rates of return using historical data from Ibbotson Associates, Chicago, and assumed 5% annual inflation.

Under such a scenario, disbursements of more than 4% a year would deplete the endowment's purchasing power over time, the study said. A 6% annual disbursement rate, fairly common, would cause the principal to lose 19% of its value over 10 years. Constant-dollar disbursements showed the same effect.

Naturally, a different set of investment returns would show different results, but the important point is that a spending policy must be established within a framework of expected investment returns, the study said.

Many endowments restrict their disbursements to current income. Such a policy, however, might affect the asset mix. It could drive down equity commitments and may direct investment style toward the high-yield sector in both equities and bonds. Also, an emphasis on high cash income would exclude from consideration high-return, low-current-income asset classes such as small-capitalization and growth stocks, venture capital and certain real estate vehicles.

Under another set of simulations, using a $1 million fund with an asset mix of 50% stocks and 50% bonds, SEI looked at the effects of spending all current income, which would be close to 5% of assets per year; spending a fixed rate of 5% per year; and spending $50,000, increased by the rate of inflation, per year.

These simulations indicated that disbursing a fixed dollar amount, adjusted for inflation, offers institutions the simplest method of budgeting and the highest expected disbursement amounts, with acceptable principal growth. The key to such a policy is to start with a dollar amount that is low enough to be sustained over time, the study said.

SEI also recommended modifying this policy by putting a cap on the amount to be disbursed in a given year, with the cap based on a percentage of assets. ■

Managers missed PIPER cutoff

Editor's note: *The following investment managers missed the deadline for inclusion or were incorrectly identified in the May 15 and May 29 listings of Pensions & Investments' Performance Evaluation Report for periods ended March 31. This information was provided by Lynn McBlaine of Rogers, Casey & Associates, which compiles PIPER.*

- **Manufacturer Life of Ontario**'s equity fund returned a compound annualized 22.3% for the 10-year period, placing in the top quartile. Its fixed-income fund returned an annualized 13.15% for the five-year period, also placing in the top quartile.
- **General American of Missouri**'s Separate Account 8, a fixed-income fund, returned 1.73% for the first quarter; its Separate Account 9, also a fixed-income account, returned 2.22% for the first quarter, 9.12% for the year, an annualized 8.45% for three years and 13.59% for five years. General American's equity index fund returned an annualized 11.43% for the three-year period. These figures place both fixed-income accounts and the equity index fund it the top quartile for these periods.
- **NCNB National Bank of North Carolina**'s equity account was incorrectly identified for the one- and three-year periods. The fund returned 19.1% and 11.9% respectively, placing it in the top quartile for those periods.

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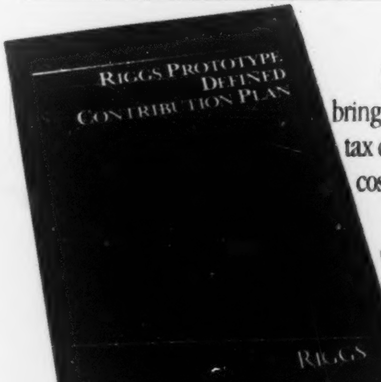

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L.A. County eyes co-investments

By Steve Hemmerick

LOS ANGELES — Trustees for the $9 billion Los Angeles County Employees' Retirement Association are considering investing $100 million in a realty co-investment fund that could cut investment management fees in half.

The fund — Core Group Trust, offered by Lehndorff & Babson Real Estate Counsel, Dallas — already has commitments of $100 million each from the $3.7 billion City and County of San Francisco Retirement System and the $3.2 billion Public Employees Retirement System of Nevada. In addition, trustees for the $3.2 billion Kansas Public Employees Retirement System are close to placing $100 million in the fund.

A co-investment fund is a cross between an individual, or separate, account and a commingled fund in which pension funds can save money and avoid some recurring hassles if they group together before buying trophy properties they couldn't afford to buy separately.

Indeed, the price of investment-grade property is what has prompted the Los Angeles County fund to consider co-investing rather than direct, separate investments.

Susan Barlow recommended a co-investment vehicle for the Los Angeles County fund.

The pension fund's consultant — Susan Barlow, managing director and vice president of Callan Real Estate Services — told trustees that even with $9 billion in assets, the fund might be better off investing in a co-investment fund such as Core Group Trust specifically for public funds or Core Property Trust, a real estate investment trust for corporate and public pension funds and foreign institutional investors managed by The Yarmouth Group, New York.

Ms. Barlow said Core Group Trust would charge investment management fees of 65 basis points, about one-half the usual fee for real estate investment management, and would buy the large properties pension funds need for their core real estate holdings. (Core holdings generally are the larger urban office and retail properties that dominate other buildings in a market and frequently cost between $100 million and $500 million.)

She said the Los Angeles fund could commit $100 million this year to core real estate investments and another $100 million in 1990 to meet its current core real estate goal of 30% of its total real estate holdings. The fund has set a target real estate allocation of 10% of total assets.

The core holdings would complement the fund's current property investments, which total $186 million. Of that amount, $138 million is in specialized real estate commingled funds.

In a separate interview, Ms Barlow said many pension funds smaller than Los Angeles County's do separate account investing in real estate and buy a share in large properties. But when they buy a stake in large properties without a co-investment fund structure, she said, each investment requires setting up a new partnership, which means increased legal and document fees and renegotiation of their rights as a partner with other investors.

In a co-investment fund, she said, many of the costs are paid only once.

Another advantage of co-investing is greater control for the pension fund participants. In the Core Group Trust, Ms. Barlow said, greater authority is given to pension fund officials than in an ordinary commingled fund, including the right to replace the manager.

Ms. Barlow had advised officials for the San Francisco and Nevada funds to form the group trust when she was a consultant with Pension Realty Advisors in 1988, before joining Callan.

She said the trust will mirror a separate account and have a 50-

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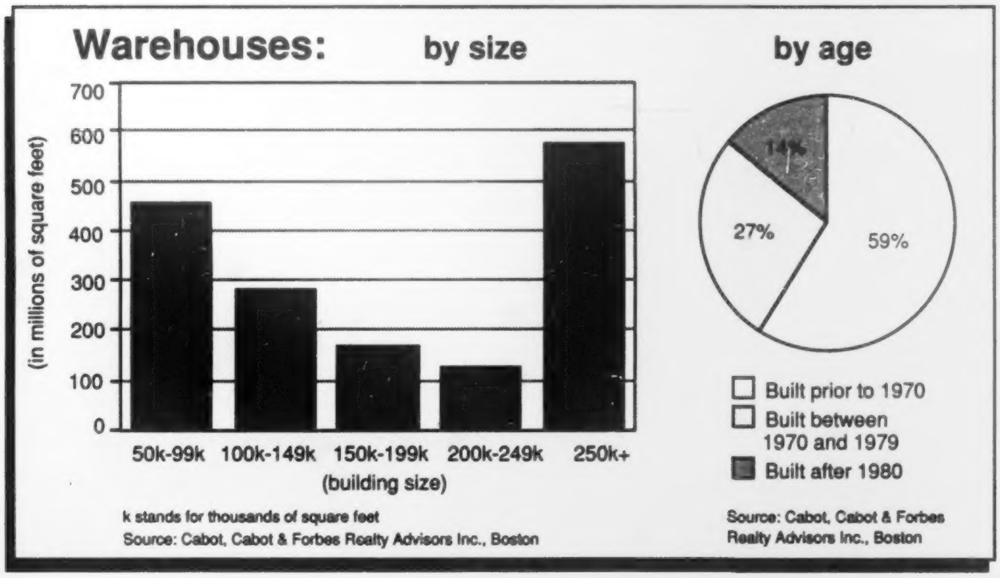

k stands for thousands of square feet

Source: Cabot, Cabot & Forbes Realty Advisors Inc., Boston

Source: Cabot, Cabot & Forbes Realty Advisors Inc., Boston

Warehouse opportunities are limited

Less than half — 41% — of the nation's warehouse market has potential for investment, a survey prepared for Cabot, Cabot & Forbes Realty Advisors Inc., Boston, has found. The survey also showed that most of the warehouse space is small or large, with 28% of the buildings 99,000 square feet or less and 36% 250,000 square feet or more. In addition, 59% of the space was built prior to 1970.

UPDATE

Investments to surge

LOS ANGELES — Pension fund ownership of U.S. real estate is expected to swell to $300 billion by the year 2000, with an additional $20 billion expected each year until that time from foreign investors, Arthur Andersen & Co. reports.

U.S. pension funds currently have between $70 billion and $80 billion in equity real estate investments.

The projections were contained in the first of a six-part series of articles written Ivan Faggen, worldwide director of the Arthur Andersen's Real Estate Services Group.

For his estimates, Mr. Faggen assumed a 10% allocation to real estate by pension funds and a growth in total pension assets to more than $3 trillion, from the current level of about $2 trillion.

Pension investors, however, might find it difficult to invest that vast sum, Mr. Faggen wrote.

Only about $15 billion of new office buildings and even less of other income-producing properties are built annually, he said. In fact, he noted available capital "may be as much as 30 times the supply" of institutional-grade properties.

As a result, Mr. Faggen thinks more pension funds will become more adventuresome in real estate as their sophistication grows, possibly making investments with development or lease-up risks.

Office venture set

CHESAPEAKE, Va. — Two Chesapeake, Va., office towers were bought for $23.2 million in a joint venture of limited partnerships sponsored by USF&G/Legg Mason Realty Partners and Fidelity & Guaranty Life Insurance Co.

Each limited partnership has a 50% stake in the buildings. The joint venture has executed a letter of intent for $13.1 million in permanent financing from an unidentified lender.

Retail center is sold

PALMDALE, Calif. — Palmdale Place shopping center here was purchased for $11.2 million by Bonutto Hofer Investments and Dover Investment Properties. The seller was a joint venture of Riley/Pearlman Co. and Downey Savings & Loan.

The 164,000-square-foot center, developed in 1986 by Riley/Pearlman, is anchored by Albertson's supermarket, Thrifty Drug and H&E home improvement.

Advisory unit formed

CHICAGO — Amli Realty Co. has formed a wholly owned subsidiary — Amli Institutional Advisors Inc. — to offer investment services and products to pension

Continued on page 31

2 shine bright in U.K. market

By Holly Smith

LONDON — A strong economy and a post-crash shift of assets out of the stock market and into real estate resulted in a stellar year for U.K. property investors, with total returns for institutional investors for the year averaging 29.8%.

A few property fund managers were able to make even these impressive figures — measured by the London-based Investment Property Databank, a real estate research firm — look paltry by posting total returns of more than 45% for the year ended Dec. 31.

While it is hard to compare the performance of the various property fund managers because many of the major players don't make their results public, two of the men whose names often come up when real estate specialists are asked to list the best are Nigel Wiggins, director of property investment services for Kleinwort Benson Investment Management Ltd., and Bernard High, property investment manager for the Clerical Medical Investment Group.

Mr. Wiggins and his team were one of the top performers among pooled pension property funds, with a total return of 47.9% for its commingled property fund. Clerical Medical does not make its figures public, but real estate industry insiders say its results are excellent.

Both executives believe much of their success is the result of not being too deeply involved in real estate.

Mr. Wiggins, for example, says probably the most important part of his education was the two years he had off before getting his social science degree and gaining his chartered surveyor qualifications. He came into the property world late, but with a broader outlook.

Another key advantage is the scope of his job, which includes being a research analyst for Kleinwort Benson Investment Management, and advising the equity fund managers on which property company shares they should buy. "It's unusual for people running direct property to also be looking at property shares," he explained. Real estate agents "are looking backwards because they are looking at historic deals. The (stock) analysts have to look forward."

Mr. High gives the most credit for his success to his broad academic background. "I'm one of

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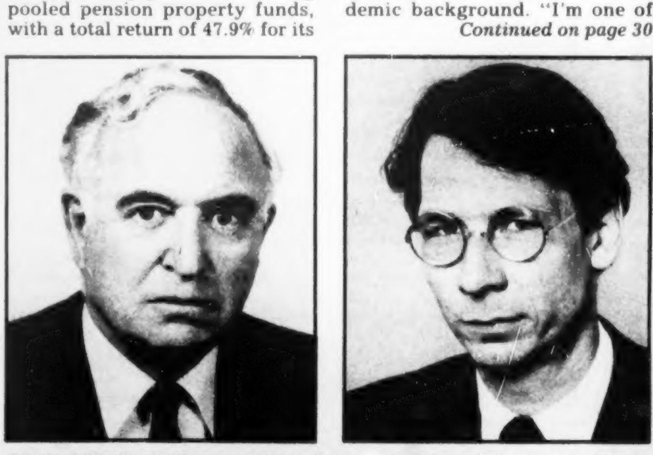

Clerical Medical's Bernard High, left, and Kleinwort Benson's Nigel Wiggins frequently outperform other U.K. real estate investors, according to industry experts.

Stock redemptions skyrocket

By Marlene Givant Star

Corporations redeemed more securities than they raised in the debt and equity markets combined in the first quarter, for the first time since World War II

During the January to March period, net stock redemptions at an annual rate of $180 billion exceeded the $174.6 billion of net monies raised in the debt markets. As a result, corporations returned $5.4 billion more in monies to investors than they took out through borrowing and stock offerings.

The figures were released by the Federal Reserve Board.

The accelerated rate of corporate redemptions since the fourth quarter of 1986 corresponds with the period's surge in takeover and leveraged buy-out activity. The first-quarter figures in particular reflect the consummation of the massive leveraged buy-out of RJR Nabisco Inc. Corporate share repurchase programs, another source of redemptions, were not a major factor in the first quarter but were widely used by companies to restore investor confidence following the 1987 market crash (*Pensions & Investment Age*, Nov. 2, 1987).

"By putting more funds back to the markets than they are taking out, corporations are fueling the massive buildup of liquidity in the financial system and reinforcing the excess of demand over the new supply of debt and equity instruments," noted Robert A. Schwartz, vice president and senior financial economist of Merrill Lynch Capital Markets, in an analysis of the Federal Reserve results.

Since the beginning of 1984, corporations have been the largest source of demand in the equity markets, redeeming a net $414.3 billion of outstanding stocks through acquisitions, leveraged buy-outs and share repurchases.

For the first three years of the acquisition boom, corporations borrowed heavily to finance stock redemptions, driving up outstanding corporate debt by 15.8% in 1984, 11.5% in 1985 and 12% in 1986. But the huge increase in supply of corporate debt did not prevent interest rates from falling because of the corresponding increase in demand for fixed-income investments from overseas investors as well as U.S. mutual funds, insurance companies, pension funds and households, Mr. Schwartz said.

Just as stock redemptions generated a huge increase in borrowing needs, they also enlarged the pool of monies available to finance those needs. Investors have largely reinvested the proceeds from stock redemptions in credit market instruments such as high-yield securities, commercial paper and other loans and investments that help finance the debt expansion associated with acquisition activity.

"In a sense, the takeover boom has been partially self-financing," Mr. Schwartz said.

In 1986, non-financial corporations raised $202.1 billion in the debt markets and redeemed $80.8 billion of outstanding stock, resulting in a net call, or net monies raised in debt and equity markets, of $121.3 billion.

But the volume of net funds raised in the debt and equity markets has been on a steep downtrend since the fourth quarter of 1986 when it reached a peak annual rate of $174.5 billion. In 1987, the net call on the markets fell to $68.5 billion and by the fourth quarter of last year, it had fallen to an annual rate of $32.8 billion.

Proceeds from stock redemptions are boosting the market's supply of liquidity while the pace of corporate debt expansion is slowing as evidenced by its meager 7.8% annual increase in the first quarter. Mr. Schwartz believes this positive demand-supply balance will persist and provide staying power to the current rally in the fixed-income market.

Even if stock redemptions subside with an expected reduction in takeover activity, corporate debt growth will continue to decelerate as economic activity slows, he said.

Meanwhile, the supply of funds is rising from the rapid growth in interest receipts generated by the huge buildup of debt holdings during the 1980s and any falloff in stock redemptions will be replaced with proceeds from debt redemptions, he added. ■

Global issuers score big in first half

By Marcia Parker

NEW YORK — For the first time ever, the volume of new issues done abroad almost equaled what was raised in the U.S. markets, signaling issuers' growing comfort with, and willingness to try, tapping capital markets worldwide.

Statistics for the first half of the year show corporate issuers increasingly are going global as they search the world's capital markets for the right financing opportunities. Japanese investment bankers, relative newcomers, are winning more and more of the business.

During the first six months of the year, the international marketplace experienced its greatest semiannual volume, with $134.2 billion raised by issuers worldwide, vs. $141.6 billion raised domestically, according to Securities Data Co., Newark, N.J.

Japanese investment banks and issuers led the rally abroad. Nomura Securities, with $21.2 billion, and Nikko Securities, with $12.8 billion, finished in first and second place. These two banks raised more in the first half of 1989 than they did in all of 1988.

Daiwa Securities Co. Ltd. and Yamaichi Securities rounded out the top four, with $10 billion and $9.3 billion, respectively. Japanese issuers accounted for 35.7% of the securities issued, more than doubling their market share during the first half of 1988.

Japanese investment banking executives in London said one reason international debt market volume soared was the huge number of Japanese companies issuing debt with equity warrants in the Eurodollar bond market. The Japanese investment banks, which are underwriting these offerings, are structuring financings that allow the companies to swap the proceeds into fixed-rate yen, thereby achieving low-cost yen financing.

In the first half, Nikko underwrote more than $3 billion in debt-with-equity-warrant offerings for Nippon Steel, Mitsubishi Heavy Industries and Mitsubishi

senior manager-corporate finance, The Nikko Securities Co. (Europe) Ltd., London, said Japanese companies are going to market because they are making sizable capital investments at home in response to the shift in the economy from being driven by exports to being driven by domestic demand. In addition, investor demand for the securities has soared.

"The Japanese debt-with-equity-warrants market has been a phenomenon unto itself due to what has been perceived as the remarkable strength of the Japanese equity market, which led to both unique financing opportunities for Japanese corporations and an unusual climate for Japanese and other international investors," said Jan McCourt, senior associate director, Daiwa Europe Ltd., London.

He noted the Japanese securities firms are getting more aggressive in attracting and winning business from non-Japanese corporations.

"There's been an increasing internationalization of the role of the Japanese investment houses," Mr. McCourt said, adding they are underwriting more generic issues and proprietary product offerings for non-Japanese corporations and placing more of the securities with non-Japanese investors.

The U.S. debt market also was flourishing in the first half. Propelled by a downward trend in U.S. interest rates and a strong dollar, corporations issued $72 billion of debt during the first six months of 1989, the highest level of straight debt offerings to the U.S. markets in three years.

Despite the surge, the total dollar volume of all debt and equity issues sold to the U.S. markets was close to 10% behind last year's pace, according to Securities Data.

The drop to $141.6 billion in new U.S. issues was due to a 44.8% drop-off in equity volumes from a year ago and the recent softness in the mortgage market. Fees continued to suffer because of the slide in equity issues, and are $660 million behind 1988's pace.

The dollar's new muscle, as well as rising interest rates abroad, brought to the international marketplace a wealth of dollar-denominated issues. About 59.5% of all Eurobonds were denominated in U.S. dollars during the first half of the year, compared with 38.8% in the first half of 1988.

The volume of international equities kept pace with first-half 1988 statistics, with $2 billion raised.

Although the Japanese are making great strides, their U.S. competitors are still the leaders.

Merrill Lynch Capital Markets again captured the top spot in the U.S. and global capital market rankings. In the United States, Merrill Lynch continued as the premier debt underwriter, underwriting $25.2 billion and gaining more than two market share points.

Merrill Lynch raised 91.3% of this capital using various debt instruments. Asset-backed securities and junk bonds were two areas in which Merrill Lynch gained considerable market share. The firm experienced an increase in overall domestic market share to 17.8% from 14.9% a year ago.

Merrill Lynch was the top underwriter globally as well, capturing 10.3% of the $274.9 billion global market. Credit Suisse/First Boston finished in second place globally, with $23.8 billion and a market share of 9%.

Goldman, Sachs & Co. and First Boston Corp. finished the first-half domestic standings still in a struggle for second and third place. Goldman, Sachs managed the books on $16.9 billion, while First Boston handled the books on $16.3 billion.

The straight-debt market, excluding mortgage and asset-backed securities, experienced its greatest half-year volume in the past three years, raising $72 billion. The recent decrease in interest rates caused a wave of issuers to bring longer term debt securities to market.

Merrill Lynch took top honors, raising $15.9 billion for a market share of 22.1%, the highest market share since the last half of 1985, when Salomon Brothers Inc. underwrote 24.1% of what was a $43.4 billion market.

Although Merrill Lynch and Goldman, Sachs have a considerable lead in this area, less than $2 billion separates Salomon, Shearson Lehman Hutton Inc., Drexel Burnham Lambert Inc., Morgan Stanley & Co. and First Boston, which rank third through seventh respectively.

Merrill Lynch's formula for success continues to lie with financial institutions, according to Securities Data. The bank raised 28.9% of the industry's total volume of $40 billion.

Although the Dow Jones Industrial Average rose 16%, common stock and initial public offering volume plummeted in the first half of 1989, according to Securities Data. Common stock volume totaled $8.9 billion, with 184 issues, 44.8% less than the $16.1 billion and 202 issues, brought to market during the first half of 1988.

Issuers of initial public offerings found a tough marketplace to raise capital. IPOs suffered a decrease of 52.9% from first half 1988's level of $12.9 billion. Only 100 companies went public so far this year vs. 138 companies in the first half of 1988. These firms raised just $6.1 billion, reflecting the fewest number of companies going public since the second half of 1982.

For the first time since the October 1987 stock market crash, industrial issuers returned to the IPO market. About $2.4 billion was raised by these companies, accounting for 41.1% of all IPOs. During the first half of 1988, the industrial issuers only accounted

International underwriting rankings

	Jan. 1-June 30,1989			Jan. 1-June 30, 1988		
	Amount ($ mils.)	% of market	# of issues	Amount ($ mils.)	% of market	# of issues
Nomura Securities (2)	21,193.9	15.8	97	11,032	9.8	81
Nikko Securities (5)	12,800	9.5	37	5,712.7	5.1	38
Daiwa Securities (4)	9,981	7.8	54	6,772.3	6	55
Yamaichi Securities (9)	9,301.3	6.9	47	3,728.4	3.3	31
Credit Suisse First Boston/CS (1)	7,516.1	5.6	50	11,479.8	10.2	80
J.P. Morgan (11)	5,397.9	4	28	3,534.5	3.1	24
Deutsche Bank AG (3)	5,060.4	3.8	30	7,067.1	6.3	48
Bankers Trust (12)	3,947.5	2.9	50	2,861.1	2.5	25
Morgan Stanley (17)	3,906.3	2.9	31	2,038.9	1.8	20
Banque Paribas (8)	3,469.4	2.6	29	4,018.9	3.6	29
Union Bank of Switzerland (6)	3,164.4	2.4	25	4,912.9	4.4	41
Goldman, Sachs (18)	3,072.7	2.3	29	1,959.2	1.7	18
Merrill Lynch Capital Markets (13)	3,034.4	2.3	29	2,858.4	2.5	20
Industrial Bank of Japan (14)	2,138.5	1.6	27	2,380.4	2.1	25
Salomon Brothers (15)	1,935.6	1.4	17	2,224.5	2	17

All issues; full credit to book manager

Numbers in parentheses refer to first-half '88 rankings

Source: Securities Data Co.

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UPDATE

Investors to sell stock

PLEASANTVILLE, N.Y. — Analysts expect investors to have a strong interest in the non-voting Reader's Digest stock that will be sold in an initial public offering by a group of institutions late this year or early 1990.

Reader's Digest Association Inc., a privately held publishing company, said several institutions seeking increased liquidity and financial flexibility will sell at least 10% of the non-voting stock to the public. No price or underwriter was disclosed. A registration statement isn't expected until late this year or early next year.

The selling institutions include the Colonial Williamsburg Foundation, Williamsburg, Va.; Lincoln Center, Memorial Sloan-Kettering Cancer Center, the Metropolitan Museum of Art, the New York Zool Society, all in New York; and Macalester College, St. Paul, Minn.

Security analysts who follow the publishing industry say that although little is known about actual performance, Reader's Digest is a healthy, well-run, profitable company in a hot industry sure to attract investors.

Reader's Digest itself does not plan to sell stock in the offering. A substantial part of Reader's Digest non-voting stock is held by the DeWitt Wallace-Reader's Digest Fund and the Lila Wallace-Reader's Digest Fund. The Wallace's founded the company in 1922.

The balance of the non-voting stock is held by the foundations and a handful of employees.

All the voting stock is held by the two Wallace funds and an unidentified trust. They don't intend to sell any of the voting stock of the company. The two Wallace funds face new tax laws requiring them to reduce their holdings in the company to 50% or less by the year 2000. Reader's Digest said the two funds intend to continue to hold 50% of the voting stock to help insure the independence of the company.

In addition, changes will be made in the employee profit sharing plan to permit annual contributions to the plan of previously unissued voting stock. The company expects the plan will have acquired up to 20% of the voting stock by the year 2000.

Together with the 50% held by the two Wallace funds, that will ensure that control of Reader's Digest will remain in the hands of the family and employees, keeping it safe from raiders.

Global

Continued from page 35

Sachs was the top manager of IPOs, capturing 21.6% of this arena, Securities Data said.

In the junk-bond market, RJR Nabisco Inc. made the largest junk bond offering to date with proceeds of $4 billion, pushing Drexel back into the forefront of the rankings. Drexel underwrote $6.8 billion of this $14.8 billion market, and close to three times the number of deals of any rival.

Junk bonds with an initial coupon of zero percent came into vogue in the first half of 1989. About $2.7 billion was raised using this technique where investors do not get paid any interest until maturity or a set date. In the first half of 1988, zero coupon junk bonds were used on $1.2 billion, according to Securities Data.

In the last six weeks, since RJR came to market, the junk bond arena has begun to revive. Twenty-five junk bond offerings for $3.9 billion have been issued. Eleven of these issues were book managed by Drexel, but the other 14 marked the return of Prudential Bache Capital Funding, Salomon, Kidder Peabody & Co. and PaineWebber Inc. to this marketplace.

Mortgage and asset-backed securities experienced a slow spring season, bringing their first-half volume to $55 billion, a 2.6% decrease from the same period last year. First Boston, with $8 billion, and Bear Stearns & Co., with $7.1 billion, were the leaders in this area.

Goldman, Sachs and Salomon Brothers, 1988's leaders, fell to sixth and fourth place, respectively. ■

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FEATURE

Lending puts assets to work

By Suren Singhvi

At many corporate pension funds, treasurers have a pile of assets idle, earning absolutely nothing. It's an odd practice, considering no corporate treasurer would hold cash even overnight without earning interest. But many sponsors fail to take advantage of the incremental, virtually riskless return available by lending stocks and other securities they keep with their custodians.

Of course, a pension fund committee must authorize the program. But a treasurer who appreciates the earning power of those idle assets can influence the committee to adopt such a program, outlining arguments in its favor.

A sponsor normally can earn sufficient income from the program to pay a significant portion of its trustee's or custodian's fee without adding any additional work for the corporation's treasury staff. The amount depends on the mix of securities lent.

A $1 billion pension fund might reasonably expect to earn about $500,000 a year by lending securities under the following scenario. The fund, whose assets are allocated 50% to domestic equities, 35% to bonds and 15% to government securities, cannot lend all of its securities.

Some of the securities, such as commercial paper and mortgage-backed securities, are ineligible because they are held physically and cannot be electronically transferred. Other securities aren't in demand.

As a result, only $180 million of the $500 million in equities, $300 million of the $350 million in bonds and $100 million of the $150 million in government securities are attractive to securities borrowers. But at any time, the pension fund typically will have lent out only 10%, or $18 million of the eligible equities; 30%, or $90 million of the eligible bonds; and 40%, or $40 million, of the eligible government securities.

Returns on lending securities vary, but equities typically earn an annualized 0.5%, corporate bonds, 0.75%, and government securities, 0.6%.

In this scenario, the securities on loan would earn $1.004 million. The sponsor, splitting the proceeds with the trustee bank, would net $502,000 for a year.

Some sponsors may believe the program is too risky in today's economic environment. A registered broker could file for bankruptcy and not return the borrowed securities. A properly structured program, however, makes the trustee responsible for such risk.

Bankers Trust Co., New York, the bank I use for securities lending, has a significant program with $45 billion in lendable securities from 99 clients. On average in 1988, it had out on loan $7.65 billion a day to 65 brokers. The bank has never experienced any broker bankruptcy, nor has it ever failed to receive lent securities. It has experienced some failed trades due to lending, i.e., it was not able to retrieve the security from the broker in time to settle a sale. Such failed trades had no effect on the portfolio's performance because the trustee takes care of the losses.

The predominant reason trades failed was due to the investment manager's failure to deliver trade information to the trustee on the trade date.

The only risk with the program is if the trustee files for bankruptcy. If that happens, the entire pension fund is at risk regardless of the securities lending program.

The program, thus, has no incremental risk in my opinion.

The demand for securities arises from investors who "sell short," or sell a security they do not own but plan to buy in the future. Securities lending doesn't interfere with a sponsor's investment managers' purchases and sales. The trustee assumes the responsibility for making sure the securities will be ready for delivery if the manager trades the securities.

The trustee handles the program, lending securities through registered brokerage firms, selected on their financial health. Once selected, the trustee ought to continue to monitor these brokerage firms. Bank trustees typically offer similar programs to limit a pension fund's risk and to make a sponsor's lendable portfolio more attractive.

Foreign securities lending offers a further opportunity. For example, a number of U.S. banks now lend Japanese equities to both the United States and U.S.-based Japanese brokerage firms for delivery in Japan. Although the program is still relatively small, it has been extremely profitable. The average loan spread is five times more on international than domestic securities. ■

Mr. Singhvi is vice president and treasurer of Edison Brothers Stores Inc., St. Louis, and adjunct professor of finance at Miami University, Oxford, Ohio.

Change in use of securities lending

	1988	1986	1984
Corporate pension funds overall	18%	17%	15%
Over $1 billion in assets	53	46	39
$501-1,000 million	30	35	31
$251-500 million	28	28	30
$101-250 million	13	12	15
$50-100 million	2	7	20
Under $50 million	5	4	4
Public	30	22	NA
Over $1 billion	55	47	NA
$251-1,000 million	39	37	NA
$101-250 million	22	27	NA
$50-100 million	9	2	NA
Under $50 million	6	3	NA
Union	25	NA	NA
Over $1 billion	70	NA	NA
$1 billion and under	15	NA	NA
Endowments/foundations	30	22	NA
Over $1 billion	26	11	NA
$250-1,000 million	43	44	NA
Under $250 million	20	44	NA

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Earnings create

Continued from page 2

of last year's 35% gain. Yet dividends are increasing at their fastest pace in 22 years and should be up 13% this year as companies begin to return to shareholders some of the more than 90% in compounded profit gains during the past three years, according to Arnold Kaufman, editor of S&P's The Outlook, which analyzes and projects business and market trends.

"We think that increase could be shaved as the year wears on because companies don't anticipate specific writeoffs in advance," he said.

For the entire S&P 500 index, the consensus among analysts is for 10.6% growth by the end of this year and 8.3% growth in 1990, according to Stanley Levine, vice president of Lynch, Jones & Ryan, New York, which owns the Institutional Brokers Estimate System, which tracks earnings projections of 2,436 analysts worldwide.

Data on the second quarter won't be released by the Commerce Department for several weeks. But based on first-quarter data, Wall Street analysts are calling for a gain for the S&P 500 of 5% to 20% for 1989, with a 10% advance to more than $26 for the average share price of stocks in the S&P 500.

Forecasts for 1990, however, are spread over a broad range. Economists who expect a recession project per-share net for the S&P 500 to decline 20% while the most optimistic analysts look for a gain of more than 10%.

Drexel Burnham Lambert Inc.'s new estimates for the S&P 500 are $27.50 for 1989 and $24 for 1990. Drexel's forecast — lower than the consensus — noted its latest 1990 estimates are higher than before, but still represent a significant drop from 1989 profit levels. The firm believes the peak in earnings momentum already has occurred, and predicts a 15% increase in earnings in 1989 and a 13% decline in 1990 for stocks in the S&P 500.

Merrill Lynch Capital Markets, New York, is forecasting S&P 500 earnings per share to rise by 5% to $25 in 1989.

Merrill Lynch's latest outlook noted corporate profits after taxes, as reported by the Commerce Department, edged down in the first quarter of 1989, even though they remained 15% above the year-earlier level and corporate profits before taxes of non-financial companies rose to a new high of $248.1 billion in the first quarter (about 8.6% higher than last year).

Merrill's Robert Schwartz, senior financial economist, contends the Commerce Department numbers overstate momentum. He says inventory profits rose sharply in the first quarter and the quality of earnings deteriorated.

Operating profits plunged and were only 1% above the level a year earlier, he said, and profit margins have eroded since the end of 1984, which could intensify this year as economic growth slows and labor costs and interest expenses continue to mount. In the first quarter, operating margins were 8.5%, down from the peak of 10.8% in the second quarter of 1984.

And because labor costs are rising and interest expense is squeezing profits, Mr. Schwartz predicts the earnings environment will worsen as the year proceeds.

"Clearly profits are under pressure because of moderating demand, rising costs and sluggish productivity, but to make matters worse, the quality of business net income continues to deteriorate," said F.W. Hackenburg, a senior investment analyst at Credit Suisse Asset Management, New York.

He noted sharp price advances experienced by many commodities and products in the last 12 months not only will put pressure on profit margins but also will create inventory profits, which are non-operating earnings. This source of income rose to $23.8 billion in 1988 from $18 billion the year before.

Furthermore, he said, capital consumption adjustment (the difference between depreciation reported by the Internal Revenue Service and the Commerce Department's estimate of real appreciation) is declining. Companies prefer to account for depreciation expense as much as possible because it is a non-cash item that reduces taxes payable. Therefore, the amount of excess depreciation must be added to after-tax corporate earnings for a better indication of real or economic profits.

Mr. Hackenburg believes it will be difficult for many industries to register profit gains in 1990. Earnings per share of the S&P 500, he said, could be up or down by 5%. The firm now projects a 1% gain to $25.50.

He said the corporate profits picture for this year is much clearer. Credit Suisse estimates S&P 500 per share results will rise about 6% to $25.25. ■

Cool off

Continued from page 2

Three economists said the chance of a recession starting before the end of the year was virtually non-existent. David Levine, senior vice president at Sanford C. Bernstein & Co., New York, had the lowest prediction — 2% — of those surveyed. Lacy Hunt, chief economist at Carroll, McEntee & McGinley, New York, saw only a 2.5% chance, while John Hekman, senior economist at Claremont Economics Institute, Claremont, Calif., said there was a 5% chance.

Mr. Dederick, however, said there's a 50% chance of a recession in the last half of 1989. "The economy will slow down and interest rates will go up," he said. "We might not go into a real recession, but we have been on the border of a recession for a while."

Geoffrey Dennis, chief international economist at James Capel Inc., New York, saw only a 20% chance of a recession in 1989 but a 40% chance in 1990. "We believe that the economy is stronger at the moment than the general market believes. The classic signs of recession, such as high inventory levels and falling orders, are not in place at the moment," he said.

Generally, the economists do not see a sharp rise in inflation, forecasting it will reach 5% before the end of the year, and remain at 5% through the first half of 1990. The highest inflation rate projection came from Mr. Hunt, who predicted 6.5% through the end of the year, and 7.2% in the first half of 1990.

The dual threat of inflation and recession are the most pressing dangers economists see facing the economy.

A too strong dollar could lead the Federal Reserve Board to lower interest rates, which would increase consumer spending and could bring about inflation. Likewise, a too tight monetary policy would stall domestic demands and drive up interest rates.

"When a business cycle ends like the present one is doing, there is a possibility of a shock, accident or policy mistake that you can't predict," said Richard Rippe, senior vice president and economist at Dean Witter Reynolds, New York. He also is concerned a continued strong dollar could, by 1990, stop or reverse the recent trade improvement and weaken the economy. "I would reduce the federal budget deficit in a constant and steady fashion and give monetary policy a freer hand," he said.

Bear Stearns' Mr. Anderson said a too tight monetary policy would slow production growth and GNP. "The macroeconomics policy is operating pretty good right now," he said. "I would take my hands off the lever and work on microeconomics policy. I would go to work on deregulation and trade issues. Those would have much more of an effect in pushing up real GNP."

For the second half of 1989, the highest predicted yield on 30-year Treasury bonds is 9.2%, a forecast made by Mr. Levine, who also predicted a 9.6% rate for the first half of 1990.

The highest anticipated yield on 90-day Treasury bills was 8.8% in the second half of 1989 and 9.6% in 1990, also by Mr. Levine.

At the end of last year, Mr. Levine also was at the high end of the predictions for Treasuries, expecting 11.4% by year-end '89. The high at that time for T-bills came from Mr. Hunt, with 9.88%.

In December, the median projected yields for 30-year Treasuries and 90-day T-bills were 9.2% and 7.3%, respectively; the median projections for the second-half of this year are 8.5% and 8.05%, respectively.

Despite the improvement in the federal budget deficit that will come from lower interest rates and increased revenue, such as from taxes, most of those surveyed said decreasing the budget deficit still should be a priority.

"It's important that the budget deficit fall below $100 billion in 1990 to stabilize the dollar's value on the market and slow the escalation of the dollar," said Mr. Hunt.

The panel of economists, however, generally wasn't optimistic the $100 billion mark President George Bush set in this year's budget would be achieved.

Mr. Bostian forecast the most optimistic decrease in the federal deficit, predicting a $105 billion deficit for fiscal year 1989 and $75 billion for fiscal year 1990.

"This is a very optimistic number and it is only valid if we do not have a recession," Mr. Bostian said. "These numbers come from our macroeconomic index which does not signal a recession."

David Littman, senior economist at Manufacturer's National Bank of Detroit, said mandated benefits by Congress is one of the dangers facing the economy, because they impose costs without choice and are "tantamount to a tax on businesses and consumers at a time when consumers appear to be retrenching."

Mr. Littman also said federal spending must slow to 3% or less to conserve resources in the private sector. ■

What the experts predict for 1989 - '90

	GNP		Inflation		90-day T-bills		30-year Treasuries		Federal budget deficit $ billions		Chances of recession	
	2nd half	1st half	2nd half	1st half	2nd half	1st half	2nd half	1st half	fiscal '89	fiscal '90	end '89	in '90
Lincoln Anderson Bear Stearns & Co.	0.5%	1.3%	4.8%	4.0%	8.0%	7.3%	8.3%	7.5%	130	120	NA	NA
David Bostian Bostian Research	1.8	1.5	5.5	4.0	7.5	6.5	8.0	7.5	105	75	30%	50%
Robert A. Brusca Nikko Securities Int'l	2.0	2.5	5.2	5.5	8.3	8.9	8.1	9.3	NA	NA	20	80
Robert Chandross Lloyds Bank/North America	1.2	2.1	5.8	4.9	8.1	8.6	8.5	9.0	150	135	22.5	25
Robert Dederick Northern Trust	0.5	1.0	5.0	4.8	8.2	7.1	8.3	8.2	145	135	50	50
Geoffrey Dennis James Capel	1.8	1.5	5.8	7.0	8.5	8.8	8.5	8.5	146	130	20	40
John Hekman Claremont Economics Institute	2.9	3.4	3.4	3.6	7.2	6.9	8.5	8.1	165	130	5	20
Lacy Hunt Carroll, McEntee & McGinley	2.5	2.3	6.5	7.2	8.5	8.9	NA	NA	144	152	2.5	10
David Levine Sanford C. Bernstein	2.7	5.2	6.0	6.5	8.8	9.6	9.2	9.6	130	120	2	20
Mickey Levy First Fidelity Bank	1.0	1.0	3.5	3.2	7.7	6.8	8.1	7.9	148	160	35	50
David Littman Manufacturers Nat'l Bank/Detroit	1.0	1.5	5.5	5.7	7.8	7.3	8.2	8.1	143	156	35	30
Richard S. Peterson Continental Ill. Bank	2.0	2.0	4.5	4.7	7.8	7.2	8.3	8.3	140	125	10	20
Richard Rippe Dean Witter Reynolds	1.3	1.3	4.8	4.5	7.6	6.8	8.0	7.7	150	135	25	37.5
Georges Rocourt Ganz Capital Mgmt.	2.4	1.5	5.4	6.0	8.4	8.6	8.9	9.3	156	145	20	50
Francis H. Schott Equitable Life Assurance	1.5	1.0	5.5	5.0	7.8	7.5	8.1	8.0	155	150	25	40
Edward Yardeni Prudential-Bache Securities	3.0	3.0	4.0	4.0	8.0	7.5	7.3	7.3	150	125	15	20

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PENSIONS & July 24, 1989

Investment Age®

The newspaper of corporate and institutional investing $6 an issue · $110 a year

Bill hikes labor pension role

By Joel Chernoff

WASHINGTON — Corporations would be required to give labor an equal say in the investment and administration of all retirement plans under a bill passed by the House Education and Labor Committee.

Business experts say the requirement threatens the existence of the private retirement system.

The provision was the nasty surprise in a mixed bag of amendments passed by various House and Senate committees in the past two weeks as part of efforts to draft a $5.3 billion budget reconciliation bill. In some cases, provisions dealing with the funding of post-retirement health care benefits and surplus asset reversions carried so many restrictions as to make them unworkable.

The amendment requiring joint administration, sponsored by Rep. Peter J. Visclosky, D-Ind., would require single-employer defined benefit and defined contribution plans to have jointly trusteed boards, similar to those existing for multiemployer pension plans. The bill would extend beyond organized labor to include non-union employees.

The amendment was attached to the House Education and Labor Committee's budget-reconciliation bill that was voted out of committee July 13, and thus is assured serious consideration by Congress.

Business groups said such a requirement would be devastating for the future of defined benefit plans in particular. They said many employers — required to assume the entire investment risk — would rather end their plans than share investment and other responsibilities with employees.

The Visclosky amendment "puts defined benefit plans into a death spiral," said Howard Weizmann, executive director of the Association of Private Pension and Welfare Plans, Washington.

"Employers have been pushed to the edge by government regulation. This could push them over," said Henry Savath, principal at A. Foster

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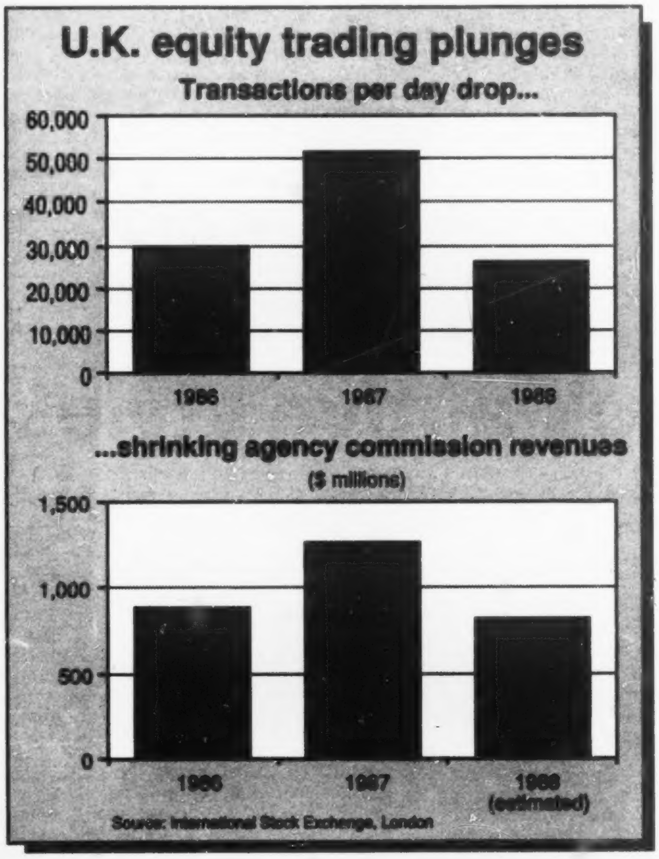

British reluctant

Directed commissions snubbed

By Joel Chernoff

LONDON — "Soft commissions" are running into the hard wall of reality in Great Britain.

A now powerful factor in the U.S. stock market, where more than 20% of U.S. institutional trades go toward generation of soft-dollar rebates, the trend has skipped across "the pond" into the International Stock Exchange in London.

Some don't like it one bit. In fact, Britain's Securities and

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Paying for approval

Ramada offer is bittersweet

By Marlene Givant Star

PHOENIX, Ariz. — Ramada Inc. is offering shareholders a generous cash payment in exchange for approval of a strategic corporate restructuring proposal and anti-takeover provisions that give insiders and a new ESOP more than 20% of the company through stock and options.

But the up to $7-a-share spoonful of sugar being offered won't help the medicine go down, according to Institutional Shareholder Services Inc., Washington, and many institutional investors. Charging the bundled items, which include a controversial "stakeholder charter provision," will only serve to impair the long-term value of the company, ISS registered an objection to the proposal with the Securities and Exchange Commission July 19 and is urging its clients to do the same.

Shareholders will vote on the proposal, which downsizes Ramada to a purely gaming company, at the July 31 annual meeting.

Management's stockholdings, options and restricted shares and the ESOP holdings would total more than 20% of the ownership of the company under the proposal. Along with supermajority requirements for mergers and 80% charter and bylaw lock-ins under the proposal, "this company would not only be protected, it would be sealed up tight," according to an ISS proxy analysis by Ian W. Macoy, senior analyst.

In addition, the proposal includes a stakeholder charter provision. These controversial measures, which are becoming more popular, say corporations should consider not only their shareholders' interests but also those of suppliers, communities, employees and others.

Ramada's provision does not clearly state shareholder interests take precedence over those of other parties, and ISS fears the board could refuse a takeover offer that is good for shareholders on the grounds that, for instance, local jobs might be lost.

Also, the stakeholder charter provision does not specify the relative weight the board of the restructured company, to be called Aztar Corp., would give to various factors in considering a tender offer or merger.

ISS also believes dilution associated with additional stock awards to key employees and the 1989 stock and incentive plan are excessive.

Bundled proposals like Ramada's could become much more common. "We have seen (them) before at INCO, Morton-Thiokol and other companies, and have no doubt

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Ramada wants to shed its hotel operations and become a pure gaming company. In exchange for their approval of the proposal, shareholders would get up to $7 per share in cash.

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LATE NEWS

California fund buys mall stake

CHICAGO — The California Public Employees Retirement System is expected to pay more than $200 million for a 50% stake in a suburban Chicago shopping mall.

The $54 billion California fund's investment board approved the purchase recently. Its adviser, TCW Realty Advisors, Los Angeles, is negotiating a final price with Homart Development Co., the real estate development arm of Sears, Roebuck and Co. and owner of the 50% share.

The remaining 50% interest in the shopping center, the 2.3 million-square-foot Woodfield Mall, Schaumburg, is owned by Taubman Realty Group of Detroit.

Participant-loan ruling attacked

WASHINGTON — The Department of Labor said pension plans must charge the prevailing rate used on similar commercial loans when lending money to plan participants.

The department made a key concession, however, in making the regulation effective 90 days after its July 20 publication date. It had proposed making the rule retroactive to Jan. 1, 1975.

Organized labor blasted the decision. The rule "is an unwarranted restriction on the investment decisions of employee benefit plans and will effectively prevent them from serving as a source of mortgage loans at times when the commercial sector abandons the mortgage market . . .," Robert A. Georgine, chairman of the National Coordinating Committee for Multiemployer Plans, Washington, said in a statement.

Manager pushes recapitalization

GREENWICH, Conn. — A money management firm and major institutional stockholder of LIN Broadcasting Co., New York, is taking an unusual lead role in suggesting LIN management opt for a recapitalization — and said it has even lined up the financing — rather than accept a hostile takeover bid by McCaw Cellular Communications Inc.

Frederick Moran, president of Moran Asset Management, Greenwich, Conn., late last week wrote Donald Pels, president and chairman of LIN, and suggested a detailed recap plan. Under the plan, LIN would borrow funds to finance the recap and then pay shareholders a cash dividend of $96 per share.

Mr. Moran, whose firm owns about 500,000 shares of LIN, maintains even if McCaw Cellular, in Kirkland, Wash., pays the $127.50 per share price, LIN shareholders would significantly receive less than full value for the company.

GE partnership does realty deal

STAMFORD, Conn. — GE Investments, moving to make its mark quickly as a manager of outside assets, bought a stake in a San Diego property as the first investment for its $350 million equity real estate limited partnership.

GE Investment Realty Partners I invested $26 million for just under a 50% interest in the Naiman Tech Center, a 650,000-square-foot research and development park and office complex. The other half is owned by Naiman Co., San Diego, which developed the property.

Geoffrey Norman, executive vice president of GE Investments, said a major life insurance company he declined to identify provided $70 million in debt. The partnership will hold a first mortgage on the property.

The partnership's investors include the pension funds of General Electric Co., BATUS Inc., Champion International Corp., Combustion Engineering Inc., Eli Lilly & Co., Ford Motor Co., Unisys Corp., Perkin-Elmer Corp. and General Dynamics Corp.

ITT increases allocation to GICs

NEW YORK — ITT Corp.'s savings plan has allocated an additional $126 million to Bankers Trust Co. to be invested in guaranteed investment contracts, according to Eileen Leahy, manager of pension fund trusts. The amount is in addition to $310 million of GICs Bankers already manages for ITT's savings plan. Ms. Leahy declined to disclose further information.

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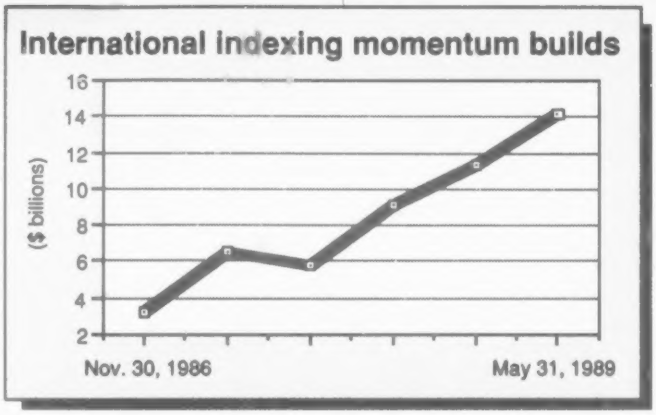
Vol. 17, No. 16 — Pensions & Investment Age (ISSN 0273-5466) is published biweekly with a special edition in May, at 740 Rush St., Chicago, Ill. 60611. Second class postage paid at Chicago, Ill. and at additional mailing offices. Postmaster: Send address changes to Pensions & Investment Age, Circulation Dept. 965 E. Jefferson, Detroit, Mich. 48207.

Questionnaire deadline nears

The deadline is nearing for inclusion in *Pensions & Investment Age*'s annual survey of master trust, master custodial and global custodial banks. In order to be included in the Sept. 4 issue, questionnaires must be returned by Aug. 1. Also, questionnaires will be sent out shortly for *P&I Age*'s annual real estate manager profiles. The questionnaire deadline for that directory, which will be published Oct. 2, is Aug. 28. If you have any questions, please call Christine Philip at (312) 649-5217.

International indexing momentum builds



Indexing lags domestically

Domestic index funds shrank on a market-adjusted basis for the first time since *Pensions & Investment Age* began tracking their asset growth.

Domestic equity funds grew $12.26 billion between Nov. 30 and May 31 — to $137.68 billion. But that 9.8% increase became a 6.3% decrease when adjusted to reflect the Standard & Poor's 500 Stock Index rise of 17.11%.

Similarly, domestic fixed-income funds grew $2.41 billion since Nov. 30, to $49.51 billion — an increase of 5.1% — but shrank 0.6% on a market-adjusted basis. For the six months ended May 31, the Shearson Lehman Hutton Government/Corporate Bond Index rose 5.78%.

Only international equity index funds showed market-adjusted growth, climbing $3.32 billion to $13.97 billion. When adjusted for the decline in the Morgan Stanley Capital International Europe Australia Far East Index, the growth of 31% jumps to 37.1%. (Of the $14.14 billion in international indexing, only $173 million is in fixed income.) The EAFE, expressed in U.S. dollar terms with no dividends reinvested, dropped 4.3% during the period.

The numbers above exclude ANB Investment Management Co., which would not provide a May 31 breakout.

Overall, externally managed index funds grew about 8.7%, or $16.92 billion, during the period, to $210.72 billion, according to the semiannual *P&I Age* survey of index fund managers.

The decline in domestic index funds seems to reflect a desire on the part of pension executives to jump into the bull market on Wall Street.

For example, Putnam Cos. Inc.,

Continued on page 41

College on new course

By Christine Philip

COLUMBUS, Ohio — The $282 million Ohio State University endowment, Columbus, has allocated $65 million to a core of index funds, including its first steps into small-capitalization stocks and international investing.

The moves followed a strategic asset allocation study, conducted by Ennis, Knupp & Associates, Chicago. No consultant was used in the search process.

According to Stephen F. Messerly, assistant treasurer, three index managers were hired: Wells Fargo Investment Advisors, San Francisco, to run $30 million in a Standard & Poor's 500 Stock Index fund and $10 million in an international index fund matched to the Morgan Stanley Capital International Europe Australia Far East Index; R. Meeder & Associates, Dublin, Ohio, to run $15 million in a small-cap index fund, matched to the smallest 100 of the S&P 500 index; and W.R. Lazard, New York, to handle $10 million in a broad domestic fixed-income index fund, matched to the Shearson Lehman Hutton Government/Corporate Bond Index.

Assets for the new hires came from reductions in the accounts of two equity managers — The Chicago Corp., Chicago, and Siebel Capital Management, Larkspur, Calif.; the liquidation of a mutual fund managed by Neuberger and Berman, New York; and from internally managed assets.

The fund is in the process of finalizing contracts with each of the three managers selected. ■

Funds seek active styles

By Trudy Ring

Big moves by big funds dominated money management changes in the second quarter, and active strategies again outdrew passive ones to continue the pattern of the past several quarters.

The $1.36 billion in active fixed-income hirings reported in *Pensions & Investment Age* during the quarter included three allocations of $300 million. The $1.26 billion in active equity hirings reported included six allocations of $100 million or more.

There were no hirings reported for bond index fund management, and the only hiring reported for stock index fund management was for an undisclosed amount. Structured and quantitative strategies, however, were popular for both bonds and stocks.

The numbers are based only on moves reported in *P&I Age* during the quarter; there might have been other moves that were not publicized.

One of the $300 million bond hirings was of Goldman, Sachs Asset Management, New York, by the $10.4 billion American Information Technologies Corp. pension fund, Chicago. The portfolio will be duration-matched.

There also were two hirings for $300 million each by the $2.7 billion Wyoming Permanent Fund. The two managers selected, Criterion Investment Management Co., Houston, and Duff & Phelps Investment Management Co., Chicago, are the fund's first outside managers.

Criterion also had two other hirings reported during the quarter, for a total of $370 million in new business.

Besides the Goldman hiring, the popularity of structured strategies was indicated by Consistent Asset Management Co.'s two hirings for a total of $67 million. The firm, based in Wilmington, Del., describes itself as quantitative.

The equity area was fueled by two public funds. The $3.1 billion Kansas Public Employees Retirement System hired Delaware Investment Advisers, Philadelphia, to manage $280 million, and Loomis, Sayles & Co. Inc., Pasadena, Calif., to run $150 million.

In addition, the $13.1 billion Minnesota State Board of Investment hired four managers for $100 million each — Concord Capital Management, San Mateo, Calif.; Franklin Portfolio Associates Trust, Boston; Rosenberg Institutional Equity Management, Orinda, Calif.; and Sasco Capital Inc., Fairfield, Conn. The board drew the money from a $2.5 billion stock index fund. Both Franklin Portfolio Associates and Rosenberg Institutional Equity describe themselves as quantitative managers.

Consultants said they have been doing more searches for active rather than passive management recently. Ann Wohler, senior vice

Continued on page 41

Most new accounts*
2nd quarter 1989

Firm	New accounts
Bankers Trust	4
Fisher Investments	4
Sanford C. Bernstein	3
The Chicago Corp.	3
Criterion Investment	3
Morgan Stanley/Chicago	3
NCM Capital Mgmt.	3

* As reported in Pensions & Investment Age

Hot
managers

Most new assets*
2nd quarter 1989

Firm	$ millions
Criterion Investment	370
Duff & Phelps	300
Goldman, Sachs	300
Delaware Investment	280
Loomis, Sayles	165
Sanford C. Bernstein	140

* As reported in Pensions & Investment Age

Whirlwind surrounds stock plans

$19 billion financed in '89 despite debate over value

By Barry B. Burr

U.S. corporations have financed more than $19.2 billion worth of employee stock ownership plans so far in 1989, dwarfing the estimated $5.6 billion in ESOPs set up for all of 1988.

ESOP financings announced by 80 major corporations total at least $17.733 billion to date, and an estimated 250 smaller companies have established ESOPS valued at less than $10 million each, or an estimated $1.5 billion in aggregate.

Yet, academics and other analysts contend corporate America's rush to start or greatly expand ESOPs is based on their antitakeover appeal or on a costly misunderstanding of the potential tax and economic advantages.

An investment banker, who heads up a Wall Street firm's ESOP financing area, agreed with some of their economic arguments, that unleveraged ESOPs may offer more cost advantages than leveraged ESOPs, though in the entire context of employee benefits he still believes leveraged ESOPs are better.

The number of new or expanded ESOPs this year could be higher than the figures show because there are no public corporate reporting requirements for the plans. The data came mainly from the National Center for Employee Ownership, Oakland, Calif., a private group that tracks announcements of ESOPs.

Until Congress began talking seriously about reducing the tax advantages of ESOPs, the trend showed no sign of abating. Since July 10 — the date the House Ways and Means Committee chose as the effective date of a proposal to restrict tax breaks — ESOP financings have slowed significantly, corporate and Wall Street executives said. ESOPs are "on hold," said Paul J. Mazzilli, principal, Morgan Stanley & Co., New York.

GTE Corp., Stamford, Conn., specifically set up a $700 million ESOP, including issuing private-placement debt, on July 10 to meet the new effective date, according to Thomas Mattausch, director-public relations services for GTE.

GTE set up the ESOP solely to obtain the tax benefits to reduce the cost of providing an existing corporate matching payment, heretofore made in the form of stock paid from corporate operating cash, he said. Employees will see no change in benefits, Mr. Mattausch said.

GTE issued 12 million shares to the ESOP from those already in the treasury. Mr. Mattausch said the company will repurchase the shares on the open market, plus another 11 million shares that remain to be bought back in a share repurchase program announced last August.

Among other more recent ESOPs are: $785 million worth of shares at Xerox Corp., Stamford, Conn.; $500 million at Delta Air Lines Inc., Atlanta; $270 million at Armstrong World Industries inc., Lancaster, Pa.; $190 million at Levi Strauss & Co., San Francisco; $150 million at General RE Insurance Corp., Stamford, Conn.; $100 million at Citizens & Southern Corp., Atlanta; and $100 million at Burlington Industries Inc., Greensboro, N.C. Both Levi Strauss & Co. and Burlington Industries coincidently had been taken private in recent years in leveraged buy-outs.

Meanwhile, Moody's Investors Service Inc., New York, downgraded Colgate-Palmolive Co.'s debt rating, the first attributed to the creation of a leveraged ESOP. The lower debt rating could translate into overall higher financing costs for the New York-based company and diminish the borrowing-cost advantage the formation of its $410 million ESOP would provide, if investors agree with the new credit assessment, said Dory Gaforek, associate director at Moody's.

The new analyses that question the economic and other benefits of ESOPs could, if accepted, have a profound effect in slowing formation of the plans. Mark A. Wolfson, the Joseph McDonald Professor at Stanford University's Graduate School of Business, concludes the plans aren't neces-

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25 largest ESOP financings of 1989

	$ millions
Bell Atlantic	1,000
BellSouth	1,000
Procter & Gamble	1,000
Xerox	785
ITT	700
GTE	700
Ameritech	700
HCA Psychiatric	600
3M	550
Whitman	500
U S WEST	500
Lockheed	500
Southwestern Bell	500
Anheuser-Busch	500
Delta	500
May	400
Colgate-Palmolive	400
Melvilie	357
Sara Lee	350
Tribune	350
FMC	300
Upjohn	300
Boise Cascade	300
Armstrong World Industries	270
Unisys	250

Source: National Center for Employee Ownership, Oakland, Calif.; and others

Congress to decide future of public-company ESOPs

By Joel Chernoff

WASHINGTON — Employee stock ownership plans for public corporations are down but not out on Capitol Hill.

Nearly two weeks ago, the House Ways and Means Committee dealt the plans a crushing blow by voting to repeal the deductibility of dividends for most ESOPs. But the Senate Finance Committee, where the next round will take place — possibly as soon as this week — is viewed as more favorable to the plans.

Early signals suggest the Senate might retain dividend deductibility, but reject generous transition rules contained in the House bill.

Meanwhile, activity in creating new ESOPs has slowed since July 10, as employers wait to see what action finally is taken.

"I don't think people will stampede into doing ESOPs until the tax questions are clear," said Marvin H. Greene, vice president at TPF&C, New York.

The battle lines are forming over which restrictions eventually will be imposed on ESOPs. Arguments reflect whose ox will be gored: whether benefits for privately held firms will be preserved over those for publicly held corporations, or whether a select group of companies stands to benefit from transition rules while the door is shut on some future transactions.

The outcome will have a dramatic effect on companies that have not yet instituted ESOPs following Polaroid Corp.'s successful use of an ESOP in fighting a hostile takeover bid by Shamrock Holdings Inc. earlier this year.

The ESOP provisions are attached to budget-reconciliation legislation designed to raise $5.3 billion during fiscal 1990, which starts Oct. 1. ESOP rules make a major contribution to the revenue-raising effort: The ESOP provisions are designed to raise some $1.7 billion next year and a total of $13.2 billion between 1990 and 1994.

At this point, ESOP advocates concede the loss of the 50% exclusion from taxes on interest paid to qualified lenders such as banks, insurance companies and mutual funds. Also, no one expects Congress to back down from reversing an Internal Revenue Service position that permitted the sale of ESOP debt on the public market.

But those provisions — whose repeal was proposed June 6 by Rep. Dan Rostenkowski, D-Ill., chairman of the House tax-writing panel — are more important to private companies financing ESOPs than to publicly held ones.

The financial linchpin for public-company ESOPs comes from the deductibility of dividends provision. Public companies typically contribute convertible preferred shares yielding a high coupon to their ESOPs. The coupon is used to pay down the ESOP debt, and can be set roughly at the level of interest payments on the ESOP loan. The company deducts the value of the dividend, which it could not do for its regular stock shares.

In contrast, much of the value of the interest-exclusion has been gained by the lender, and typically results in only a 15% — or 1.5 percentage points based on a 10% loan rate — decrease in the interest rate on a loan.

Congress believes tax benefits are not being adequately passed through to ESOP participants. In introducing his bill, S. 1303, Senate Finance Committee Chairman Lloyd Bentsen, D-Texas, said the partial-interest exclusion "is being used in a manner that re-

Continued on page 42

RJR fund's trades show patience might not pay

By Joel Chernoff

NEW YORK — An analysis of trades done for the RJR Nabisco Inc. pension fund raises questions on the value of "patient trading," and criticizes a widely used method of measuring trading costs.

The Kidder, Peabody & Co., New York, study casts serious doubts on how much money institutional investors can save by waiting days or even weeks to strike trades at desired prices.

It also criticizes a trading-cost measurement tool offered by Abel/Noser Corp., New York.

In its analysis of the establishment of a small-capitalization portfolio for the RJR Nabisco pension fund, Kidder found patient trading cost the fund 213 basis points a share, while Abel/Noser's methodology showed the fund made a profit of 28 basis points a share.

"The harsh reality is that poor measurements of trading costs can be dangerously misleading," wrote authors Stephen G. Bodurtha, a vice president at Kidder and Thomas E. Quinn, principal of Cornerstone Capital, Atlanta, and formerly chief investment officer for RJR Investment Management Inc.

Last year, RJR's $2.5 billion pension fund, together with Kidder, decided to measure the costs of constructing a $40 million small-capitalization stock portfolio through patient trading. They compared the costs of trading using Kidder's cost measurement system with the systems offered by Abel/Noser and SEI Corp.

What's different about the trading-cost measurement system — the implementation shortfall system — applied in the Kidder study is its attempt to measure the opportunity cost of not being able to complete trades at a given time — which the other two systems ignore.

"I think it's great," said Eric Fisher, vice president at the $34 billion College Retirement Equities Fund, New York. "I think this is really the right way to do it, by measuring missed opportunities."

The Kidder study "really points out the inadequacy of how we are measuring trading," said Wayne Wagner, partner at The Plexus Group, Santa Monica, Calif.

Mark Edwards, manager-internal equities for the $12 billion Minnesota State Board of Investment, St. Paul, has been using the implementation shortfall methodology for about two years. "Unfortunately, very few people understand it, including the traders," he said.

The study came from a test of whether patient trading can save money for large institutional investors.

In recent years, some large pension funds — such as CREF, the $50 billion California Public Employees' Retirement System, the $2.3 billion Deere & Co. pension fund and the $3.6 billion General Dynamics Corp. pension fund — and money managers have attempted to get paid for providing liquidity to the market, especially when their trades are driven by price, rather than by time-sensitive information.

In providing liquidity, investors have used a variety of techniques. Some place limit orders to buy or sell a set amount of stock at a particular price. Others disclose their interest in a stock but don't say whether they want to buy or sell and in what quantity. Some ask others to reveal their trading interests first, and then select which trades to execute.

The illiquidity of the stocks involved — a 250-stock portfolio designed to track the Russell 2000 index — made purchase of the entire portfolio in one day "imprudent," according to the study. The average bid-ask spread was 2.64% for the stocks, and the proposed trade size averaged 227.18% of the average daily trading volume.

Kidder estimated the cost of a conventional trading program would be at least 200 basis points and easily as high as 350 basis points.

To trim those costs, the authors devised an alternative trading strategy: Each day, they identified a group of stocks from the 250 that were underperforming the Russell 2000 index from the previous night's close. They then submitted limit orders to buy the underperformers; at night, they submitted the remaining buy list to an electronic crossing network.

RJR only purchased stocks at its terms, which in the early days were set equal to the prevailing bid price for each stock. After 75% of the portfolio was purchased, the fund started bidding more aggressively, which the study found added 40 basis points to its costs.

For the 67-day buying period, RJR ended up paying an average of 1 cent per share less than the midpoint of the bid-ask spread prevailing at the time the limit orders were submitted.

But traditional methods of measuring the success of the program were misleading because they failed to measure the oppor-

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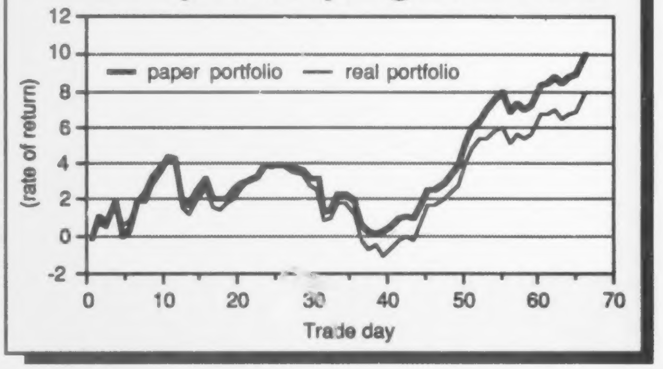
Cost of patient program trades



P&I Age Corporate Top 100

Company	ABO	PBO	Plan assets	Plan assets in excess of PBO	Actual return on plan assets*	Net periodic pension expense (income)	Pension expense as a % of adjusted net income	Plan assets as a % of corporate assets	ABO as a % of shareholders equity
Aetna	905.5	1,378.0	1,551.0	173.0	124.4	3.6	0.5	1.9	13.9
Alcoa OP	2,466.5	2,595.2	2,557.1	−38.1	228.0	68.3	7.3	24.3	53.2
Alcoa UP	19.2	21.1	0.2	−20.9	-	-	-	-	-
Allied-Signal OP	2,794.0	3,163.0	3,571.0	408.0	565.0	61.0	11.6	35.7	85.5
Allied-Signal UP	602.0	615.0	570.0	−45.0	-	-	-	-	-
American Brands OP	565.6	713.9	934.1	220.1	11.3	19.6	3.3	7.7	22.7
American Brands UP	389.1	426.5	369.0	−57.5	-	-	-	-	-
American Cyanamid	982.5	1,109.8	1,096.7	13.1	115.4	30.0	8.9	23.9	47.6
American Electric	720.2	902.2	1,075.7	173.5	129.2	(0.7)	NM	7.5	17.0
Ameritech	[illegible]	7,194.7	10,766.1	3,571.4	1,273.1	54.2	4.2	56.2	82.4
Amoco	1,692.0	2,049.0	2,500.0	451.0	304.0	7.0	0.3	8.4	12.7
AMR	1,611.0	1,938.4	1,701.5	−236.9	−210.5	62.1	11.5	17.5	48.8
Armco	1,761.0	1,913.4	1,589.0	−324.4	−175.4	66.6	31.4	57.0	197.8
Atlantic Richfield OP	1,243.0	1,392.0	2,152.0	760.0	180.0	(6.0)	NM	10.0	19.9
Atlantic Richfield UP	172.0	178.0	-	−178.0	-	-	-	-	-
AT&T	16,972.0	18,157.0	28,462.0	10,305.0	3,363.0	(363.0)	NM	81.0	148.0
Batus OP	810.3	1,043.8	1,277.7	233.8	131.9	12.5	2.3	11.1	35.9
Batus UP	49.0	58.3	17.1	−41.2	-	-	-	-	-
Bell Atlantic	7,018.6	8,197.1	9,669.5	1,472.0	1,191.3	165.8	11.2	39.1	76.5
BellSouth	6,800.2	8,319.6	9,136.9	817.3	1,110.8	137.2	7.6	32.1	57.4
Bethlehem Steel	3,833.2	3,968.7	1,628.6	−1,156.8	270.4	185.8	31.6	36.6	214.0
Boeing	4,310.0	5,246.0	5,638.0	392.0	454.0	173.0	22.0	44.7	79.8
Caterpillar OP	1,677.0	2,001.0	2,502.0	501.0	582.0	6.0	1.0	60.8	40.8
Caterpillar UP	1,504.0	1,517.0	1,335.0	−182.0	-	-	-	-	-
Champion International	848.7	944.6	965.0	20.0	109.7	16.6	3.5	14.4	2.5
Chevron OP	2,588.0	2,963.0	3,756.0	793.0	395.0	74.0	4.0	11.1	17.5
Chevron UP	103.0	113.0	1.0	−112.0	-	-	-	-	-
Chrysler	7,328.3	7,405.9	4,358.3	−3,047.6	363.2	585.3	35.8	9.0	96.7
CIGNA	714.9	1,018.9	1,047.2	28.3	93.9	30.0	6.0	1.9	13.6
Commonwealth Edison	1,357.0	1,676.0	1,879.0	203.0	200.0	12.0	1.6	10.5	17.1
Consolidated Edison	1,958.0	2,508.0	2,577.0	69.0	285.4	56.0	8.5	27.0	40.4
Deere OP	924.0	1,192.0	1,284.0	92.0	8.0	18.0	5.4	24.5	37.6
Deere UP	1,022.0	1,077.0	899.0	−178.0	-	-	-	-	-
Delta Air Lines	2,117.5	3,065.4	2,704.7	−360.6	18.1	120.9	28.3	47.1	95.9
Digital	448.9	1,375.9	1,592.0	216.1	590.0	126.4	8.8	157.4	6.0
Dow Chemical	1,881.0	2,272.0	2,267.0	5.0	257.0	72.0	2.9	14.0	25.9
Du Pont	6,740.0	7,772.0	12,333.0	4,561.0	1,375.0	(485.0)	NM	40.1	43.3
Eastern Air Lines	1,566.5	1,632.2	1,218.0	−414.1	149.5	90.9	16.4	33.2	NM
Eastman Kodak	3,662.0	4,656.0	6,102.0	1,446.0	893.0	(130.0)	NM	26.6	54.0
Eaton OP	710.4	801.0	943.5	142.5	178.0	9.8	4.4	31.1	61.3
Eaton UP	131.7	142.2	68.2	−74.0	-	-	-	-	-
Exxon	3,111.0	3,541.0	4,764.0	1,223.0	880.0	(105.0)	NM	6.4	9.8
Ford OP	6,353.5	7,191.4	9,340.3	2,148.9	1,666.0	403.7	7.1	6.5	29.5
Ford UP	6,648.4	6,724.6	6,082.5	−642.1	-	-	-	-	-
FPL Group	471.7	695.2	1,213.8	518.6	168.3	(2.3)	NM	10.3	14.4
GenCorp	1,231.0	1,255.0	1,380.0	125.0	139.0	9.0	11.4	112.2	NM
General Dynamics OP	2,451.4	2,766.8	3,259.3	492.5	379.8	70.0	15.6	89.6	127.5
General Dynamics UP	128.0	128.0	106.0	−22.0	-	-	-	-	-
General Electric	14,073.0	15,473.0	21,502.0	6,029.0	2,261.0	(227.0)	NM	19.4	76.2
General Motors OP	13,611.9	15,112.0	1,932.4	3,820.4	56.1	517.7	9.6	1.2	38.2
General Motors UP	19,604.0	19,673.9	17,477.9	−2,196.0	-	-	-	-	-
General Public Utilities	637.8	843.2	885.4	42.2	105.2	35.3	11.1	13.8	31.5
GM Hughes	2,081.6	2,547.6	3,792.3	1,244.7	436.8	(76.5)	NM	32.1	27.6
Goodyear OP	132.1	156.1	156.6	0.5	157.9	51.7	12.9	1.8	6.5
Goodyear UP	1,038.6	1,131.0	864.9	−266.1	-	-	-	-	-
Grumman	1,430.7	1,655.3	1,934.9	279.6	160.8	23.8	21.6	75.4	174.0
GTE	3,900.0	5,781.0	9,074.0	3,293.0	1,300.9	(26.2)	NM	29.2	41.1
John Hancock	426.4	648.0	743.0	95.0	-	22.3	11.5	2.5	39.0
Hercules	692.0	787.4	1,124.9	337.5	124.2	(27.5)	NM	33.8	33.8
Honeywell OP	1,314.7	1,481.4	1,550.9	69.5	88.5	40.6	−10.3	30.5	75.9
Honeywell UP	396.3	400.9	310.4	−90.5	-	-	-	-	-
IBM	10,473.0	15,466.0	19,598.0	4,132.0	2,058.0	(55.0)	NM	26.8	26.5
Inland Steel	1,127.0	1,233.0	1,488.0	255.0	167.0	(21.0)	NM	50.9	72.3
International Paper	1,193.0	1,302.0	1,956.0	654.0	183.0	(58.0)	NM	20.7	26.2
ITT	1,676.0	1,975.0	1,926.0	−49.0	245.0	146.0	15.2	4.6	20.9

Definitions:

ABO: Accumulated benefit obligation. The value of all benefits earned to date.
PBO: Projected benefit obligation. A measure of the liability for accumulated service reflecting future salary increases.
NM: Not material
OP: Overfunded plan
UP: Underfunded plan

*Adjusted for benefit payments in some cases

Source: Companies' 1988 annual reports; all dollar figures are in millions

Funded status slipped in 1988

By Curtis Vosti

The health of the nation's largest defined benefit pension funds remained relatively strong in 1988, *Pensions & Investment Age*'s survey of annual reports shows.

Slightly more than 71% of the plans in the *P&I Age* Corporate Top 100 were fully funded in 1988, meaning they had more assets than projected benefit obligations, down from more than 72% in 1987.

The total number of plans listed each year is more than 100, because pension accounting rules require companies with more than one plan to list each separately where one fund is underfunded. Typically, a firm with more than one plan has one overfunded and one underfunded plan.

(In a slight variation from last year's survey, the 100 companies used this year were the largest in terms of defined benefit plan assets as determined by *P&I Age*'s annual survey of the nation's largest 200 employee benefit funds; last year, the 100 companies were the tops in total pension assets.)

The financial health of corporate pension plans largely has been the result of the high investment earnings and low inflation of the 1980s, according to David Kudish, managing director of Stratford Advisory Group Inc., a Chicago pension consultant. But Mr. Kudish and others are concerned continual government regulation could have a negative effect if and when those investment returns and inflation rates take a turn for the worse.

The average company in the Top 100 had $2.9 billion in accumulated benefit obligations, $3.4 billion in projected benefit obligations and $3.9 billion in assets. (Companies with more than one plan had their obligations and assets combined).

The five top funded plans, measured in terms of plan assets in excess of projected benefit obligations, are sponsored by: American Telephone & Telegraph Co., New York; E.I. du Pont de Nemours & Co., Wilmington, Del.; General Electric Co., Fairfield, Conn.; General Motors Corp., Detroit; and IBM Corp., Armonk, N.Y.

William F. Quinn, president of AMR Investment Services Inc., Fort Worth, Texas, said he thinks corporate pension plans are in even better shape than the PBO/asset comparison indicates.

Mr. Quinn believes a better measure of the plans' health is comparing the accumulated benefit obligations with the plan assets. He thinks using the projected benefit obligations doesn't take into account future contributions.

AMR Corp., AMR Investment's parent company, had $236.9 million more in projected benefit obligations than plan assets; but using the ABO/assets comparison, AMR had $90.5 million more assets than pension obligations.

"If you eliminate a defined benefit plan, those projected obligations would go away tomorrow," Mr. Quinn said. "With that impetus, it is very likely the PBO comparison is not realistic. If you used ABO, most plans would be fully funded."

Mike Johnston, an actuary and partner with Hewitt Associates, Lincolnshire, Ill., pointed out, however, that although both methods are valid, the PBO is more reflective of the ongoing nature of pension plans, while the ABO would be more relevant if the plan were to be terminated.

Changes in reporting standards in 1989 require a booking of unfunded ABO liabilities in excess of the pension liabilities already recorded.

New regulations also will require that companies with underfunded plans meet the liabilities more quickly than they had in the past, Mr. Johnston said. That requirement is just the latest imposed by the government and the Financial Accounting Standards Board.

For instance, the 1987 requirement that set a full-funding limit at the lesser of actuarial liabilities or 150% of accrued liabilities caused many plans to use bond immunization to meet ongoing costs, he said. This can be harmful to the health of corporate plans if the markets turn down.

"If there is a recession, that 50% cushion could evaporate overnight," said Steve Vernon, a consulting actuary for The Wyatt Co. in Los Angeles.

John Turner, deputy director of the research office of the Department of Labor's Pension and Welfare Benefits Administration, said the office has contracted a study to determine the effects of the full-funding limits.

FASB 87, which requires either excess pension assets or unfunded liabilities be shown on the balance sheet, "probably has created more focus on the liability side that many corporations didn't have before," said Victor Bell, managing director of Lowry Consulting Group Inc., Atlanta.

Gary Pines, a principal in the Chicago office of Towers Perrin, suggests current surpluses could go away as the government continually tinkers with pension legislation.

A current proposal from Rep. Dan Rostenkowski, D-Ill., would allow companies to use pension surpluses to fund post-retirement medical benefits, while another proposal, by Sen. Howard Metzenbaum, D-Ohio, would limit what the companies could do with the surpluses, Mr. Pines said, thus exerting more impetus for firms to change to defined contribution plans from defined benefit plans.

"You may see the number of firms with more assets than projected benefit obligations drop to 50% or 40%," he said.

Another actuarial trend affecting pension plans is the increasing use of the projected unit credits cost method from entry-age normal cost method, Mr. Vernon said. The projected unit credits method has the tendency to spread costs further into the future, while the entry-age normal method tended to maximize contributions and tax deductions.

Investment gains last year were large enough to have 28 plans reporting pension income. Du Pont's was highest — $485 million.

AT&T reported the largest return on its pension assets, earning $3.4 billion. Other top returns included GE, with $2.3 billion; IBM, with $2.1 billion; and one of Ford Motor Co.'s plans, with a $1.7 billion return.

Four plans — AMR, Armco Inc., Parsipanny, N.J.; Tenneco Inc., Houston; and United Technologies Corp., Hartford, Conn. — reported a loss on pension assets. Spokesmen for Armco and AMR said the figures reflected an adjustment for benefit payments. ■

P&I Age Corporate Top 100

Company	ABO	PBO	Plan assets	Plan assets in excess of PBO	Actual return on plan assets*	Net periodic pension expense (income)	Pension expense as a % of adjusted net income	Plan assets as a % of corporate assets	ABO as a % of shareholders equity
James River OP	564.4	564.7	596.0	31.3	11.4	14.6	6.5	11.9	30.1
James River UP	382.9	412.4	313.3	- 99.1	-	-	-	-	-
Johnson & Johnson	681.0	878.0	1,022.0	144.0	123.0	33.0	3.3	14.4	19.4
K mart	694.0	871.0	986.0	115.0	126.0	25.0	3.0	8.1	13.9
Eli Lilly	823.9	1,092.4	1,315.8	223.4	183.7	20.2	2.6	25.0	25.5
Litton	549.1	627.3	913.6	286.3	359.0	10.0	5.6	18.0	46.7
Lockheed	3,097.0	3,538.0	4,981.0	1,443.0	541.0	7.0	1.1	75.0	125.1
Martin Marietta	1,051.3	1,334.0	1,987.8	653.8	132.8	39.7	10.0	59.9	87.6
McDonnell Douglas	2,911.0	3,334.0	5,099.0	1,765.0	770.0	(93.0)	NM	42.9	91.4
Metropolitan Life	866.0	-	1,448.0	-	-	-	0.0	1.5	24.9
Minnesota Mining	1,525.0	1,753.0	2,173.0	420.0	217.0	0.0	0.0	24.4	27.7
Mobil	1,717.0	2,194.0	2,224.0	30.0	228.0	50.0	1.8	5.7	10.9
Monsanto	2,312.0	2,640.0	3,169.0	529.0	340.0	4.0	0.7	37.5	60.8
Navistar OP	25.0	27.0	60.0	33.0	230.0	83.0	25.4	2.4	2.9
Navistar UP	2,126.0	2,158.0	1,751.0	- 407.0	-	-	-	-	-
NCR OP	698.5	815.8	1,161.9	346.1	134.0	(6.7)	NM	24.6	31.2
NCR UP	20.5	26.2	0.1	- 26.1	-	-	-	-	-
North American Philips	607.3	748.2	1,025.0	276.8	138.6	(10.7)	NM	29.9	38.4
Northrup OP	1,269.1	1,566.3	2,263.3	697.0	223.0	4.3	4.0	72.1	126.5
Northrup UP	32.9	37.6	8.0	- 29.6	-	-	-	-	-
NWA OP	553.4	741.7	822.2	80.6	117.5	28.1	17.2	18.8	33.9
NWA UP	359.3	366.9	316.3	- 50.6	-	-	-	-	-
NYNEX	7,722.0	9,267.0	11,539.0	2,272.0	1,488.0	31.0	2.3	45.5	82.0
Pacific Telesis	6,089.0	7,159.0	8,898.0	1,739.0	1,147.0	130.0	9.9	42.0	75.3
J.C. Penney	758.0	1,001.0	1,164.0	163.0	125.0	(5.0)	NM	9.5	19.2
PG&E	1,931.7	2,721.0	2,535.7	185.3	323.1	103.5	62.5	12.0	28.0
Philadelphia Electric	747.7	1,046.7	1,163.1	116.4	134.6	7.1	1.2	9.8	20.8
Philip Morris	2,709.0	3,507.0	4,353.0	846.0	372.0	26.0	1.1	11.8	35.3
PPG OP	179.3	187.0	245.4	58.4	112.1	(4.0)	NM	4.8	8.0
PPG UP	663.1	812.6	775.1	37.5	-	-	-	-	-
Prudential	2,125.0	2,814.0	4,159.0	1,345.0	61.0	129.0	13.5	2.7	56.4
Raytheon OP	1,010.8	1,342.9	1,564.1	221.2	258.7	58.4	10.7	33.0	47.7
Raytheon UP	429.0	431.8	403.8	- 27.9	-	-	-	-	-
Rockwell International OP	3,971.4	4,511.7	5,776.7	1,265.0	551.8	(135.9)	NM	62.7	107.5
Rockwell International UP	615.1	639.4	445.7	- 193.7	-	-	-	-	-
Sears, Roebuck OP	2,912.0	3,793.0	4,621.0	828.0	523.8	72.9	4.8	5.9	20.7
Sears, Roebuck UP	213.0	269.0	181.0	- 88.0	-	-	-	-	-
Shell Oil	2,364.0	2,701.0	3,173.0	472.0	388.0	47.0	3.7	11.7	15.4
SoCal Edison	973.7	1,409.1	1,326.6	- 82.4	133.7	46.1	5.7	8.9	19.2
Southern Co.	930.0	1,377.0	1,976.0	599.0	223.0	38.0	4.3	10.0	13.9
Southern New England Tel.	861.8	983.1	1,426.8	443.7	194.2	(9.3)	NM	46.5	74.6
Southwestern Bell	3,893.8	3,930.9	6,189.3	2,258.4	718.7	56.0	5.0	29.5	45.8
Sun Oil OP	882.0	1,009.0	1,178.0	169.0	175.0	(8.0)	NM	13.7	26.5
Sun Oil UP	151.0	164.0	54.0	- 110.0	-	-	-	-	-
Teledyne	666.1	791.1	1,425.7	634.6	99.3	(34.7)	NM	45.8	31.1
Tenneco OP	1,263.0	1,536.0	2,221.0	685.0	- 163.0	(57.0)	NM	12.8	40.0
Tenneco UP	316.0	318.0	200.0	- 118.0	-	-	-	-	-
Texaco	964.0	1,281.0	1,323.0	42.0	153.0	46.0	3.4	5.0	11.9
Textron OP	1,350.5	1,557.3	2,059.4	502.1	210.3	5.4	2.3	16.4	56.6
Textron UP	241.7	249.3	170.1	79.2	-	-	-	-	-
Travelers	924.0	1,266.0	1,299.0	33.0	150.0	9.0	8.0	2.4	20.2
TRW	1,379.0	1,698.0	1,860.0	162.0	174.0	26.0	9.1	41.9	3.3
UAL OP	1,135.8	1,478.9	1,653.3	174.4	183.4	73.8	6.2	24.7	89.7
UAL UP	272.1	412.1	168.8	- 243.2	-	-	-	-	-
Union Carbide	1,636.0	2,100.0	2,078.0	- 22.0	225.0	36.0	5.2	24.6	89.1
Unisys OP	2,054.0	2,696.4	2,748.3	51.9	347.4	49.9	6.8	23.8	41.5
Unisys UP	87.8	92.4	45.6	- 46.8	-	-	-	-	-
United Technologies OP	3,695.8	4,564.4	5,429.5	865.1	- 158.3	(17.3)	NM	42.6	76.6
United Technologies UP	334.5	442.5	215.4	- 227.1	-	-	-	-	-
United Telecom	532.2	740.2	1,085.7	345.5	113.6	(1.9)	NM	11.1	28.4
USX	7,551.0	7,856.0	8,564.0	708.0	1,002.0	(234.0)	NM	44.0	132.8
U S WEST	3,845.0	4,810.0	7,120.0	2,310.0	867.6	(47.1)	NM	31.8	49.4
Warner-Lambert	678.3	763.7	853.3	89.6	132.4	(21.3)	NM	31.6	67.9
Westinghouse	4,331.4	4,823.0	3,745.1	- 1,077.9	366.1	101.3	11.0	22.1	114.1

Definitions:

ABO: Accumulated benefit obligation. The value of all benefits earned to date.
PBO: Projected benefit obligation. A measure of the liability for accumulated service reflecting future salary increases.
NM: Not material
OP: Overfunded plan
UP: Underfunded plan

*Adjusted for benefit payments in some cases

Source: Companies' 1988 annual reports; all dollar figures are in millions

U.S. firms' foreign business booms

By Leonard J. Hollie

U.S. money managers saw their assets from foreign institutional clients surge 37.5% during the past year, according to a survey by *Pensions & Investment Age*.

Investments for foreign institutions by the U.S. companies totaled $64.1 billion March 31, according to responses from the 47 large financial institutions responding to the survey.

The survey included only U.S. firms and excluded those whose principal businesses were outside the United States. Not all the firms believed to have foreign assets under management responded to the survey.

The amount the U.S.-based managers invest for their clients in the United States is a small part of the more than $790 billion these managers invest for clients worldwide.

Citicorp Investment Management, New York, with $18.4 billion invested for foreign clients, led the survey. The total represented a gain of almost 45% from the $12.7 billion under management for foreign institutions last year. Of the total, $8 billion was invested in the United States.

Chase Investors Management Corp., New York, with $6.9 billion invested for foreign clients, ranked second in the survey. Because Chase did not report the amount managed for non-U.S. investors in 1988, its rate of growth could not be determined, and its numbers weren't included in the data used to calculate the increase in foreign assets under management. Chase's assets, however, are included in the totals listed in this story and in the accompanying table.

Besides Citicorp, the firms with the largest gains in assets managed for foreign institutional clients included State Street Bank & Trust Co., Boston, which reported managing $1.93 billion, an increase of more than $1 billion from last year's $912 million; Rosenberg Institutional Equity Management, Orinda, Calif., which also gained just more than $1 billion; and Wells Fargo Investment Advisors, San Francisco, which gained $551 million.

A significant part of Citicorp's non-U.S. assets — $5.25 billion — was from foreign sovereign governments. Other U.S. investment managers also reported managing large amounts of assets for foreign governments. Chase managed $4.5 billion for sovereign governments; The Chemical Investment Group, New York, $1.7 billion; and State Street Bank, $1.5 billion.

Except for Citicorp, the top firms in terms of foreign business growth last year were those that offered indexed or highly quantitative approaches — Wells Fargo, State Street and Rosenberg Institutional Equity Management.

"We saw a growing demand on the part of foreign investors toward getting into some kind of indexed program," said Peter Braun, vice president and director of marketing at State Street. "We haven't seen a real big demand for indexing in one particular country. It's mainly a multicountry phenomenon."

Japan was the largest source of assets managed by U.S. managers, followed closely by the Middle East. Japanese institutions have given U.S. managers $13.5 billion to invest, while those in the Middle East have given them $13.3 billion. U.K. institutions were next with $8.2 billion.

Overall, however, foreign investors looked to the U.S. institutions mainly for active equity and fixed-income management. The U.S. managers had $23.4 billion in active equity accounts for foreign clients, $13.1 billion in active fixed-income accounts, $8.5 billion in real estate, $4.4 billion in passive equity accounts and a slight $10 million in passive fixed income.

Foreign clients, however, have been showing increased interest in fixed-income investing.

"They like the strength of the dollar and also because the U.S. has the highest real rates of return than any other country," said Robert Follert, Morgan Stanley Asset Management, New York, vice president and director of ERISA and tax-exempt marketing. "Countries that are concerned about the stability of their own currency are looking to get into fixed income in the United States."

Morgan Stanley shows a nearly

Continued on page 34

Foreign business

How assets are invested

	$ millions
Active equity	23,385.6
Passive equity	4,403.0
Active fixed	13,111.4
Passive fixed	10.0
Balanced*	13,183.5
Real estate	8,534.0
Venture capital	228.0
Cash	3,667.2
Other	9,190.6

* assets might be double counted in equity/fixed allocations

Source of assets by client

	$ millions
Pension funds	7,785.7
Insurance companies	11,193.4
Mutual funds	5,201.7
Corporations	3,911.0
Governments	16,764.5
Banks	2,471.7
Other	10,769.0

Source of assets by country/region

	$ millions
United Kingdom	8,212.1
Japan	13,575.9
Australia	3,604.2
Europe	6,004.3
Canada	2,731.7
Middle East	13,348.0
Other	8,662.8

Top U.S. managers of foreign institutional assets

Name	$ millions
Citicorp	18,373
Chase Investors Mgmt.	6,961
CIGNA	4,080
The Capital Group	3,255
The Yarmouth Group	3,105
Morgan Stanley Asset Mgmt.	2,805
Chemical Investment Group	2,700
Alliance Capital Mgmt.	2,440
Fischer, Francis, Trees & Watts	2,200
State Street Bank & Trust	1,930
Equitable Real Estate	1,611
CIC Asset Mgmt.	1,492
Corporate Property Investors	1,350
Wells Fargo Investment Advisors	1,317
Rosenberg Institutional Equity	1,301
Equitable Capital Mgmt.	1,284
Merrill Lynch Asset Mgmt.	1,076
Manufacturers Hanover	1,060
Schroder Real Estate Associates	775
First Boston Asset Mgmt.	685
Atlanta Capital Mgmt.	499
Batterymarch Financial Mgmt.	411
Scudder, Stevens & Clark	409
Dimensional Fund Advisors	379
Dewey Square Investors	330
Fayez Sarofim	291
Bernstein-Macaulay	250
Templeton, Galbraith & Hansberger	226
Mitchell Hutchins	218
Boston Co.	167
Miller, Anderson & Sherrerd	159
Templeton Investment Counsel	142
Lazard Feres Asset Mgmt.	135
Tyndall-Newport Mgmt.	105
Columbia Mgmt.	72
RXR Capital Mgmt.	64
Burgess Capital	60
BEA Associates	58
TSA Capital Mgmt.	58
GAMCO Investors	45
Harris Trust and Savings Bank	44
Oppenheimer Capital	43
Wellington Mgmt.	43
PCM International	39
Provident Capital Mgmt.	29
Marinvest	19
Massachusetts Financial Services	13
TOTAL	**64,108**

Europe already fruitful

By Curtis Vosti

GENEVA, Switzerland — Although many investors are eyeing the proposed consolidation of the economies of Western Europe as a key to opportunity, a Swiss banking firm contends the Continent already is "an underrated giant."

Despite having as many people as the United States and Japan combined, and a combined gross domestic product larger than that of the United States and almost twice that of Japan, European stock markets are rated much lower, with a total capitalization half that of the Japanese market.

"Actually, nothing could be further from reality than the hackneyed image of a hidebound, ossified Europe unable to control its destiny," according to a report from Lombard Odier & Cie, Geneva, titled "New Land of Opportunity."

The report is one of a series of the firm's Project Europe, a look at investment opportunities for Europe into the 21st century that provides an overview of European political and economic patterns and seeks to explain how they will change in the coming decade.

"While Europe is already doing well, it will do even bet-

Continued on page 34

Funds catch on

Smaller investors looking abroad

By Margaret Price

International investing, once the purview of large U.S. tax-exempt institutional investors, is spreading to the midsize and smaller fund sector amid interest in, and concerns about, diversification.

While few, if any, consultants chart overseas investments by fund size, the data that are available show an unmistakable trend.

Commingled international funds — an investment vehicle often used by smaller funds — have been growing at an impressive clip. According to InterSec Research Corp., Stamford, Conn., commingled funds garnered about $16 billion, or roughly 30%, of the $53 billion in total international equity investments by tax-exempt institutions as of March 31. As of March 31, 1988, about $10.5 billion, or 26.9%, of the roughly $39 billion in total international equity investments by these institutions, went to commingled funds.

"A few larger funds also use (commingled funds), but largely they are used by small- to medium-size funds," said Duncan Fordyce, senior vice president of InterSec.

While there was some discrepancy among consultants, the small- and medium-size funds generally were considered those with total assets between $5 million and $200 million.

With the rising U.S. dollar, however, foreign investments have taken a riskier twist. A rising dollar reduces the value of assets denominated in foreign currencies.

Some consultants said the strength of the dollar might eventually dampen enthusiasm for foreign stock investments.

Joseph Scarella, a consultant at Wyatt Asset Services, New York, said he hasn't "seen any pull back" from foreign equity markets so far this year. "But in three months, if the dollar keeps strengthening, there could be evidence of some reluctance," he said.

Mr. Scarella and other consultants noted, however, that over the long term, currency differentials should become inconsequential, which presumably could help assuage long-term investors' fears.

The approximately $200 million endowment of the Rensselaer Polytechnic Institute, Troy, N.Y., found a way to reduce the dollar problem.

For its first investments outside the United States, the endowment decided to choose a global money manager, putting 10% of its assets with Capital Guardian Trust Co., Los Angeles. "Much less than half of that allocation was targeted for outside the U.S.," said David D. Gonino, the endowment's investment officer.

Rensselaer's global outlay is being handled through a separate account, not a commingled fund. "The vast minority of global money managers interviewed discussed commingled funds with

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Europe ready

Continued from page 33

ter as the European Community's Single Market nears completion. But the landscape will be changed beyond recognition. Those who want to invest today in what Europe will become tomorrow had better have a good sense of direction," according to the report.

The five-part report makes the case for a consolidated Europe that "is in good shape economically and socially, much better than the United States and in many respects, . . . can hold its own with Japan."

Among the factors listed supporting this notion are that Europe already has begun to adjust to aging populations that are "a time bomb ticking away in many parts of the world;" the European savings rate is "more than high enough to finance very substantial domestic capital investment;" the Continent shows a steady and strong growth rate with success in curbing inflation and an unobtrusive small trade surplus; and it has a shrinking public sector, which could lead to smaller budget deficits and lower taxes.

"True enough, the time when Europe stood as the world's foremost political, industrial and financial power is long bygone," the report states. "But its decline has been arrested . . . Barely 20 years ago its companies emerged from the problem-ridden decades and rose to the challenge of welding the Common Market together."

As a result, "despite the twists and turns of recent years, real growth has been running at a steady 2% to 3% annually in Europe."

But as the 1980s evolved, the nations of Western Europe began to realize the idea of a unified Europe as revealed in the Common Market was "running out of steam," the report states. Hence, in 1985, the community issued a "White Paper" designed to plot a new course for economic interdependence.

Although the report states some of the measures set forth in that paper are mostly symbolic, such as the dismantling of intracommunity border checkpoints, there are three major categories of proposals that "will probably be very important indeed."

They are: the harmonizing of health and other technical standards; selective competition in public procurement contracts that will "revolutionize" previously sheltered industries such as telecommunications and public transportation; and the standardization of indirect taxes and the free circulation of capital, which will increase the mobility of people and companies.

"The remedy adopted has been both ambitious and down-to-earth," the report states. "Ambitious because it is aimed at achieving a genuine economic union at last and down-to-earth because one of the cornerstones is to be the creation of a single market spanning 12 and perhaps even 18 countries."

One of the beneficiaries of this endeavor will be the financial markets, the report states. The prediction is for a "quiet revolution," which has the aim of overcoming distribution problems caused by the fragmentation of consumers and producers by the numerous country borders.

Among the stages that will revolutionize financial services will be the abolishment of exchange controls by July 1990 and the operation of banks under a single license, which will lead to the rise of universal banks offering a full range of banking services.

"Regardless of EC membership, all of the economies and stock markets of Western Europe will benefit from the push for integration," the report states. Equity trading volumes and market performances should be bolstered because greater savings and the growth of pension plans and insurance coverage should generate "substantial" liquidity; the liberalization of financial services will broaden the markets and lead to the creation of new financial instruments; and there will be increased mergers and acquisitions and corporate financing activity. ■

U.S. firms

Continued from page 33

$1 billion drop in foreign assets managed in 1989, with a total of $2.8 billion, as opposed to $3.7 billion a year earlier. Mr. Follert said it is Morgan Stanley's policy not to comment on the decline.

He said Morgan Stanley is expanding its client base in Europe and Japan and is very interested in emerging countries as a new investment vehicle. The firm offers a Thailand fund, and is about to come out with a private placement in India.

Rosenberg Institutional Equity Management has concentrated on Japanese investors, setting up a joint venture in 1987 with The Nomura Group in Japan. Through its Tokyo subsidiary, Rosenberg Asset Management Ltd., Rosenberg invests in the United States money raised in Japan by Nomura. Narlis Fritz, partner and director of marketing, said by late summer or early fall, the firm expects to start a Japanese model for Japanese investors who want to invest in Japanese securities.

Rosenberg reported $1.3 billion in assets managed for foreign clients, an almost fivefold increase from 1988's $284 million.

"Our strategy is appealing to the non-U.S. investor," said Ms. Fritz. "It's a core equity product designed to outperform the benchmark indexes such as the S&P 500 or the Russell 3000 by 400 basis points a year." The firm had $5.2 billion under management worldwide as of March 31. ■

Use another global c

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Trades show

Continued from page 3

tunity cost of not being able to execute all limit trades. What's more, limit orders sometimes generate market impact, as other investors anticipate purchases.

Application of the two most widely used measurement systems — Abel/Noser's and SEI Corp.'s — illustrated these problems.

Abel/Noser's cost methodology compares the cost of a trade to the volume-weighted average price on the day the trade was executed. Because RJR systematically tried to buy underperforming stocks at or near the bid, it probably bought many stocks below the weighted average, the study said.

At the fund's request, Abel/Noser analyzed the trades and found, using the 88 New York Stock Exchange-traded stocks in the portfolio, and found RJR made a profit of 5 cents per share or 28 basis points on its trades.

"Of course, this analysis masks the very real market impact and adverse selection that we actually experienced," according to the Kidder study.

A system based on comparing the transaction price with the closing price on the day after the trade date, devised by SEI, Wayne, Pa., was more accurate, the authors found, although that system still understated costs.

Using post-trade returns adjusted for market movement for each stock revealed stock trading cost 45 basis points measured one day after the trade, although reaching 186 basis points going 10 days out. While this system might have helped RJR and Kidder catch the dogs the fund had bought, SEI couldn't track the opportunity cost of not purchasing star performers, the study said.

Instead, the authors used an "implementation shortfall" system described by Professor Andre Perold of Harvard University. Under that system, a "paper portfolio" containing the entire 250-stock list was created at the onset; the difference in performance between the paper portfolio and the real portfolio reflects market impact, adverse selection and changes in the bid-ask spread.

In addition, the real portfolio's performance was adjusted for price changes in the Russell 2000 index while RJR was buying.

The real portfolio underperformed the paper portfolio by 213 basis points, net of market movement. (The cost was only 173 basis points if the aggressive buying in the last two weeks of trading is eliminated.)

Compared with an estimated cost of 300 basis points of doing the trade conventionally, patience paid off, improving performance by 87 basis points, the study said. That does indicate savings can be achieved through patient trading — although not nearly as much as some large investors suggest.

The study's final conclusion, however, contravened the conventional wisdom that all transaction measurement systems are flawed, and thus, it doesn't matter which system is used. Clearly, a cost of 213 basis points is far different from a profit-making 5 cents per share, the authors wrote.

"If Abel/Noser's (measurement) were the true cost, we would just keep churning our Russell 2000 account forever," said Robert Shultz, RJR's vice president-pension asset management, who also worked on the study.

Eugene A. Noser Jr., president of Abel/Noser, questioned whether RJR actually was providing liquidity to the market because the trades generally were very small, often in lots of several hundred, while the entire portfolio was only 600,000 shares.

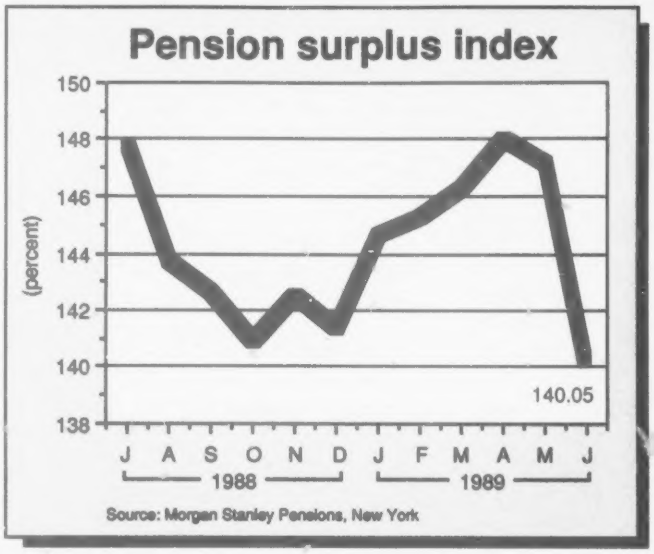
If RJR had purchased all of a given stock at the price of the close of bidding the night before the trade was executed, it would have saved $80,000 in trading costs, he said. Using the average volume-weighted price instead would have generated savings of $40,000, he added.

"You can't move the stock on a 500-stock order," Mr. Noser said.

Mr. Bodurtha replied, "I think we were dealing with an extraordinarily illiquid basket of stocks."

In addition, Mr. Noser said RJR's drawn-out method of building the portfolio — which took 67 trading days — was not reflective of actual trading practices.

But Paul Brakke, a vice president at Bankers Trust Co.-Investment Management Group, New York, refuted that point. "We've set up funds that have an even lower capitalization than the Russell 2000, and it's taken almost three months," he said. "The bottom line is, it's excruciatingly expensive." ■



Pension surplus index

Source: Morgan Stanley Pensions, New York

Indexing

Continued from page 2

Boston, which lost $1.25 billion in indexed assets under management, had one public pension fund client switch $1.6 billion in fixed-income indexed assets into active management; Dimensional Fund Advisors Inc., Santa Monica, Calif., lost $1 billion in indexed fixed-income assets when a client switched to an active management approach; and Mellon Bond Associates, Pittsburgh, reported it lost $700 million in fixed-income indexed funds when a public fund redeployed some of its assets into active management.

But the overall, long-term logic behind pension fund investing in indexed funds is almost irresistible, according to the technique's supporters: The sheer size of the assets needing investment practically guarantees a spread of stock and bond investments that will mimic the broad indexes.

"Eventually we'll all get backed into a corner and we'll all be index managers if we're still expected to outperform the market, whether we like it or not," said Anthony Santosus, assistant vice president for quantitative analysis at Putnam.

In other changes in the business of indexed money management, Wells Fargo Investment Advisors, San Francisco, will become part of a joint venture with Nikko Securities Co. Ltd., Tokyo. Wells Fargo managed $59.4 billion in indexed funds as of May 31, up from $54.7 billion Nov. 30.

Boatmen's Trust Co., St. Louis, acquired Centerre Trust Co., also of St. Louis, at the end of 1988. Boatmen's managed $425 million in indexed funds May 31. Centerre had reported $415 million as of Nov. 30.

Also, MacKay-Shields Financial Corp. transferred its index fund business to Monitor Capital in late 1988. Monitor now manages $116 million in equity and fixed-income index funds.

Kiene Wooters and Associates Inc., Minneapolis, which manages $67 million in indexed funds, changed its name to the Clifton Group in April. ■

Funds seek

Continued from page 2

president of Callan Associates Inc., San Francisco, pointed out many pension fund sponsors don't use consultants to help them select indexers; consultants' services are needed more for evaluation of active managers, she said.

Robert Hunley, senior vice president of DeMarche Associates Inc., Kansas City, said his firm is not a big advocate of indexing, but noted some of the interest in quantitative strategies is an outgrowth of indexing. He sees a bit of a move toward fundamental investment styles. The firm also has done several searches for small-capitalization equity managers, he said.

Among the equity hirings reported in *P&I Age* in the past quarter, at least three were specifically for small-cap.

The apparent trend toward active management in the past few quarters indicates a possibility that the market for "plain vanilla" indexing is saturated, while specialized indexing continues to grow.

For instance, the one area where passive management was a major draw during the quarter was international. Of the $118 million reported for international hirings, $71 million was for indexed or passive strategies. Almost all of that $118 million also was for equity strategies, the exception being a $13.5 million international balanced account.

The $118 million was lower than amounts reported for international in several recent quarters, but it does not include seven manager hirings for undisclosed amounts by the $20 billion Wisconsin Investment Board, Madison. Three managers were selected for international equities, four for bonds. They will be funded gradually, with the board's total commitment to international eventually reaching $1 billion.

Other hirings reported in the quarter included $229.5 million for balanced management; $35.8 million for guaranteed investment contracts; $10 million for bankruptcy debt; and $7 million for cash management. ■

Leading index fund managers

($ millions - as of May 31)

Company	Total	Domestic equity	Domestic fixed	Int'l equity	Int'l fixed
Wells Fargo	59,357	37,865	18,400	3,021	71
Bankers Trust	29,524	26,503	2,401	620	0
Mellon Capital	23,850	18,765	4,580	505	0
State Street Bank	21,111	12,900	1,980	6,220	10
ANB Investment[1]	9,400	NA	NA	NA	NA
Alliance	6,648	5,955	20	673	0
GE Investment	5,860	5,860	0	0	0
Boston Co.	5,101	3,424	1,445	232	0
Mellon Bond	5,100	0	5,100	0	0
Dimensional Fund	4,592	4,187	0	405	0
Manufacturers Nat'l/Detroit	4,092	4,071	21	0	0
Wilshire	3,668	3,668	0	0	0
Lincoln Capital	3,200	0	3,200	0	0
T. Rowe Price	2,934	265	2,669	0	0
Chase Investors	2,777	1,486	372	919	0
Lehman Mgmt.	2,200	0	2,200	0	0
Prudential	1,985	697	1,027	261	0
Sears	1,885	1,691	0	194	0
Northern Trust[2]	1,659	1,155	463	30	11
Vanguard	1,635	1,547	88	0	0
Chancellor Capital	1,230	1,150	80	0	0
BEA Associates	1,146	1,146	*	0	0
Security Capital	1,050	0	1,022	0	28
Putnam	900	0	900	0	0
WR Lazard	860	0	860	0	0
Axe Core	744	477	0	267	0
Mitchell Hutchins	717	326	391	0	0
Bernstein-Macaulay	708	708	0	0	0
Travelers	693	327	148	195	23
NCNB Texas	604	604	0	0	0
Harris Trust	500	300	200	0	0
ASB Capital	494	494	0	0	0
Capstone Asset	470	470	0	0	0
Boatmen's	425	407	18	0	0
Boston Int'l	423	0	0	423	0
Fiduciary Trust	400	0	400	0	0
First Wisconsin	379	99	280	0	0
Fidelity	360	23	337	0	0
Aetna[3]	334	262	72	0	0
Associated Capital	294	186	108	0	0
Bear, Stearns	260	0	260	0	0
Todd Investment	240	0	240	0	0
NBD Bancorp	198	198	0	0	0
Old Kent Bank	138	138	0	0	0
Western Asset	123	0	93	0	30
Metropolitan Life[1]	117	117	0	0	0
Monitor	116	77	39	0	0
Chemical	80	0	80	0	0
Advanced Investment	75	75	0	0	0
Clifton	63	44	19	0	0
	210,719	**137,667**	**49,513**	**13,965**	**173**

[1] as of Dec. 31, 1988
[2] as of March 31
[3] as of June 30
* less than $500,000

ESOPs' future

Continued from page 3

duces the taxes of banks and other financial institutions and improves the financial statements of corporations. In many cases, these transactions provide little, if any, benefit for employees."

Following Mr. Rostenkowski's June 6 bombshell, investment bankers pressed their clients to establish ESOPs, fearing Congress might move to repeal or restrict dividend deductibility as well.

As a result, by the time repeal of dividend deductibility was proposed five weeks later, at least 24 companies had filed the necessary paper work or committed to setting up ESOPs, involving more than $5 billion in securities. Companies that squeezed through this window included Xerox Corp., Delta Air Lines Inc., Sara Lee Corp. and GTE Corp.

Through July 10, more than $17 billion in new ESOPs were set up by major corporations this year, according to the National Center for Employee Ownership, Oakland, Calif.

But the House proposal was changed abruptly July 13. In a closed meeting, the Ways and Means Committee carved out a gaping exception for firms that filed between June 6 and July 10. Under an amendment by Rep. Richard T. Schulze, R-Pa. the tax committee delayed the effective date of repealing the 50% interest exclusion to July 10 from June 6.

The House panel also approved an amendment sponsored by Rep. Beryl Anthony Jr., D-Ark., which retained both the partial-interest exclusion and the dividend deductibility for ESOPs that hold at least 30% of the sponsoring employer's stock.

The Anthony amendment primarily aids private firms; few public companies put this much of their stock into ESOPs because of the expense, contribution limits, stock-exchange rules and concerns about liquidity. Also, some executives might fear employees will tender their shares if an attractive offer is made.

ESOP proponents will try to counter any efforts by the Senate to restrict dividend deductibility and eventually will try to eliminate the provisions in conference.

The dividend deductibility rule received an important boost from the Treasury Department July 19, at a hearing held by two Senate finance subcommittees.

Dana Trier, acting deputy assistant secretary for tax policy, told the hearing the partial-interest exclusion has proven to be too expensive to the government but warned against repealing the dividend deductibility rule. "We are leery about taking away two major benefits from ESOPs at the same time," he said.

Mr. Trier added, however, the tax benefits from dividend deductibility need to be better targeted to promote "meaningful ESOP participation." Thus, the Treasury Department does not oppose the Ways and Means ESOP changes because the tax benefits would be limited to companies whose ESOPs own at least 30% of the employer stock.

ESOP advocates also hope to lower the 30% threshold contained in Mr. Bentsen's bill to 20% or lower, because that level is much more attainable for public companies. Rumors are circulating some senators may seek to knock the threshold to 15%.

Advocates also want to kill a provision in the bill that would require ESOPs with 30% ownership to provide pass-through voting to participants.

Eliminating that provision, which affects privately held companies — pass-through voting already is required of public companies — is deemed crucial because owners of companies are leery of handing voting control to employees when ESOPs are first established and because lenders may blanch at giving credit if management could be voted out, said David Binns, executive director of the ESOP Association, Washington.

A push also is emerging to reverse the July 10 extension sponsored by Mr. Schulze. The Schulze amendment "gives a windfall to lenders and to companies aware of the proposed bill but willing to proceed anyhow," Paul J. Mazzilli, principal at Morgan Stanley & Co. Inc., New York, wrote Sen. Robert J. Dole, R-Kan., the ranking minority member of the Senate Finance Committee and sponsor of another ESOP bill.

The cost of delaying the effective date might exceed the cost of retaining dividend deductibility, he added.

Sen. David Pryor, D-Ark., who chairs the Senate Finance subcommittee on private retirement plans, indicated he is studying the trade-off between the extended transition rules and "long-term" ESOP incentives, such as the dividend deductibility rule. ■

Bill hikes role

Continued from page 1

Higgins & Co., New York.

But a United Auto Workers official said employers are "crying wolf." Alan Reuther, UAW associate general counsel, said, "I think it's nonsense. You've had jointly trusteed plans for years on the multiemployer side, and some on the single-employer side and they don't get terminated."

Other budget bill-related actions affecting retirement plans included:

- The House Ways and Means Committee adopted a proposal to permit employers to transfer surplus pension assets exceeding 140% of current liabilities to retiree health accounts during 1990 and 1991.

The provision may never be used, experts said, because it requires employers to vest all participants' pension benefits and *purchase annuities to cover them* in order to effect a transfer.

The Ways and Means provisions also would limit deductions and contributions for retiree health and pension expenses for companies that transfer surplus assets.

The committee voted to reverse an Internal Revenue Service ruling permitting employers to fund 401(h) retiree medical accounts even if their pension plans are at the full-funding limit.

- The House Education and Labor Committee approved, in a party-line vote, an amendment to its budget-reconciliation bill that would prohibit all reversions of surplus pension assets to employers. But pension assets exceeding 150% of current liabilities could be shifted to a retiree health trust under the amendment.

Participants would be vested immediately in their medical benefits. Employers would be barred from reducing health benefits for this group in the future, and from three years prior to the transfer.

The panel passed the provisions to ensure it has a role in retiree health and asset reversion issues.

- The Senate Labor and Human Resources Committee, by a vote July 20 of eight to seven, attached key provisions of Ohio Sen. Howard Metzenbaum's asset reversion bill, S. 685, onto its own budget-reconciliation bill.

The Senate labor committee's proposal would not ban reversions but would permit employers to recapture surplus assets only where there is a replacement plan and after leaving a cushion of assets based on projected benefit obligations and providing a one-time cost-of-living adjustment.

Opponents, including the Bush administration, argue that would leave little or nothing for employers and that the bill would encourage poor funding practices.

In addition, the Senate panel adopted a provision permitting the transfer of surplus assets to retiree health accounts similar to that in the House bill. Also attached to the panel's budget-reconciliation measure, the Senate bill would require the Department of Labor study the need for vesting, accrual and portability rules for such health benefits.

- Both House and Senate labor committee bills rely on imposition of new user fees ranging between $100 and $1,000 for filing annual reports, summary plan descriptions and other retirement plan-related filings, and a stiff $200 per participant tax for plans that are terminated.

- The House Labor Committee also approved H.R. 1661, the House equivalent of S. 685, while the Senate Labor panel deferred action on S. 685. The Joint Committee on Taxation and the Congressional Budget Office estimated those bills would cost the government $1.7 billion during the next five years.

But it was the Visclosky amendment that took the employee benefits community by surprise.

The amendment stemmed from concerns pension assets have been used to finance takeovers, either through the termination of overfunded plans by corporate raiders or through pension investments in junk bonds and other instruments. Workers should have a say in such matters, Mr. Visclosky has argued.

The amendment provides unions would pick their representatives, while salaried participants would elect their trustees in a secret ballot.

"The concept of joint trusteeship turns fiduciary responsibility into a popularity contest, where current law requires the highest possible standards of investment responsibility," said Mark Ugoretz, executive director of the ERISA Industry Committee, Washington.

While pension experts noted the Visclosky amendment would cause sweeping changes in plans' operations, several expressed doubt the amendment ever would be passed by the full Congress.

Corporations were disappointed with the retiree health provisions included in the Ways and Means tax bill. A Department of Treasury official said it favored the proposal because of its narrow approach but the annuitization requirement was unnecessary. ■

Debate

Continued from page 3

sarily an economical way to finance similar employee benefits or an effective way to motivate employees.

Mr. Wolfson, who collaborated with Myron Scholes, professor of finance and business, also at Stanford, in analyzing ESOPs, attributes the predominance of ESOPs to either a corporate perception of their power as an anti-takeover device or to misperception of their potential economic and productivity benefits.

Many companies downplay, or reluctantly concede, their ESOPs are anti-takeover devices, especially in light of a Polaroid Corp. ruling that allowed establishment of an ESOP in the midst of a struggle for control of a company because a Delaware court decided the plan enhanced both employee compensation and shareholder value.

In terms of the tax advantages, Mr Wolfson agrees with the analysis of Howard A. Freiman, vice president at Fidelity Management Trust Co., Boston, who concludes leveraged ESOPs often might provide fewer tax advantages than unleveraged ESOPs or other defined contribution plans providing the same benefits. (*Excerpts from Mr. Freiman's analysis appear on page 27.*)

Among his major assertions criticizing the headlong rush to ESOPs, Mr. Freiman said in an interview, "For a leveraged ESOP, the stock price at the time of the ESOP's establishment determines the tax deduction for allocating stock to employees' accounts. However, for other defined contribution plans, the stock's current market value determines the tax deduction. Thus, in a rising stock price environment, a leveraged ESOP will often receive a significantly smaller tax deduction for providing an equal amount of employee benefits."

Mr. Mazzilli, who heads Morgan Stanley's ESOP financing group, is familiar with Mr. Freiman's argument and agrees unleveraged ESOPs may offer some better economic benefits than leveraged ESOPs. "In terms of a rising stock price (as Mr. Freiman assumes), the treasury purchase is probably better than a leveraged ESOP."

But Mr. Mazzilli said such unleveraged ESOP allocations, issued from treasury shares, "hurts a company's credit rating more, because you have no obligation to reissue the shares."

"A leveraged ESOP is looked on more favorably by (credit) rating agencies because it shows a specific commitment to pay down debt," he added.

In regard to non-economic terms, among other advantages, he said employees may influence the voting of unallocated leveraged ESOP shares. Treasury shares, he added, have no vote.

While ESOPs might be effective in motivating top management, Mr. Wolfson believes that for many employees, owning company stock might have only an indirect effect. He said more direct incentives, such as bonuses, might have a more profound effect.

The downgrading of Colgate-Palmolive's rating for its senior debentures to A2 from A1 by Moody's shows an ESOP's economic advantage might be more complex to determine.

"It was felt the ESOP program was too large for the company's size," said Moody's Ms. Gaforek. The ESOP debt will raise Colgate-Palmolive's total debt to capital ratio to 55% from 37%, she said. By contrast, she said the $1 billion ESOP announced earlier this year by Procter & Gamble Co., Cincinnati, although much larger in terms of absolute dollar value, raised its ratio to a more manageable 40% from 31% and had no effect on its debt rating.

Ms. Gaforek said Colgate-Palmolive's ESOP also reduces the company's financial flexibility. By setting up the ESOP, she said, the company will be shifting a large part of its future employee benefit costs to a fixed obligation from a contingent liability.

By contrast, Standard & Poor's Corp., New York, has kept Colgate-Palmolive's senior debt rating at A+ since 1987.

"The way we view this particular ESOP is that we consider this a pre-funding of an employee benefit," said Angela Uttaro, assistant vice president in Standard & Poor's Ratings Group of McGraw-Hill Financial Services Co., New York.

"The plan does reduce financial flexibility, if you're looking at a company on the financial edge," she said, adding she doesn't view Colgate-Palmolive as on the edge.

In terms of creating a fixed obligation, she said Colgate-Palmolive had never reduced its employee benefits so for all practical purposes had a fixed obligation.

Colgate-Palmolive executives were unavailable for comment. ■

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Canada, U.S. ease financings

By Marcia Parker

The Securities and Exchange Commission and a Canadian counterpart have proposed a system that will make it easier and less costly for issuers in both countries to make cross-border securities offerings, facilitating the flow of capital and broadening investment opportunities.

\The proposed multijurisdictional disclosure rules represent the first concrete steps taken by North American countries to eliminate the sometimes formidable barriers facing issuers who raise capital or make exchange or cash tender offers to investors outside their home country and the investors who want to buy their securities or participate in the exchange or tender offers.

Under the proposal between the SEC and the Ontario Securities Commission, U.S. issuers that meet certain tests would be able to make public offerings and tender offers in Canada using disclosure documents prepared according to SEC requirements. Eligible U.S. issuers of investment-grade debt or preferred stock would have a market value of at least $150 million and $400 million in the case of other securities.

The periodic financial reports U.S. issuers have to file with the SEC also would be accepted in Canada to meet its continuous reporting requirements. Although Canada does not have a concept of shelf registration, under the system, procedures will be proposed by the OSC to accommodate U.S. issuers making shelf offerings.

Like the SEC, the OSC is the Canadian regulatory agency overseeing corporate issuance and other capital market activity.

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Rescuing Wall Street

Investors up commissions

By Joel Chernoff

Suffering losses from brokerage activities, Wall Street is receiving help from an unexpected quarter: pension funds and their money managers.

In the face of declining liquidity and increasing unwillingness by brokers to supply capital to the market, institutional investors are starting to realize brokerage firms must profit on their trades for the benefit of all concerned.

"It doesn't make sense to have a brokerage industry that doesn't make money," said Jerry Hartman, managing director at Scudder, Stevens & Clark, New York.

A combination of efforts by Wall Street firms and institutions are leading to higher commissions for trades, especially for those in which brokers use their own capital, such as block trades.

In one instance, Union Carbide Corp.'s investment management unit told brokers it would be willing to increase commission levels a penny or two per share, from an average of 6 cents per share, for all trades.

"Commission rates were moving to the point where they potentially could affect the conduct and performance of our own pension fund," said Michael Hoben, president of Benefit Capital Management, which invests Union Carbide's $2 billion in pension assets.

In addition, at least one major brokerage house, Drexel Burnham Lambert Inc., New York, has boosted the minimum commission it charges on trades where it commits its own capital, raising rates to 8 cents per share from 6 cents.

Other brokerage firms are said to have followed Drexel's path, but none would discuss it on the record.

Generally, institutional investors appear far more receptive to paying brokers higher commissions, especially where brokers take the other side of trades. Otherwise, investors fear they will end up paying more in market impact costs than the extra penny or two on commissions.

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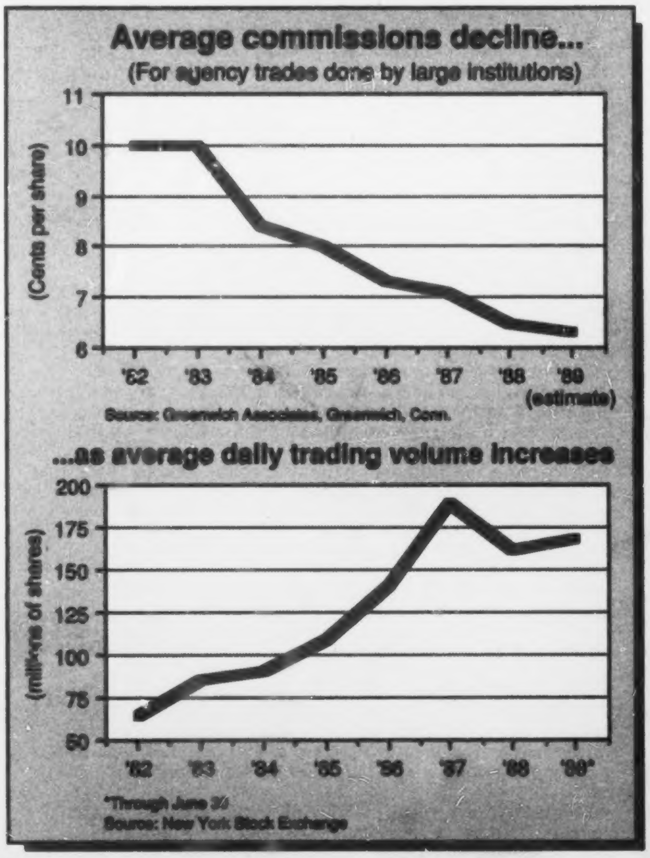
Average commissions decline...
(For agency trades done by large institutions)

Source: Greenwich Associates, Greenwich, Conn.

...as average daily trading volume increases

*Through June 30
Source: New York Stock Exchange

ESOP is ready to roll, if . . .

By Barry B. Burr

MINNEAPOLIS — Dayton Hudson Corp. will set up a $400 million leveraged employee stock ownership plan, but only if Congress keeps existing tax advantages for ESOPs in place, its board of directors announced.

Dayton Hudson is the first company to announce such a conditional ESOP, illustrating the inhibiting effect of a measure, recently attached to a budget reconciliation bill now in the House Ways and Means Committee, to eliminate significant tax advantages to corporations using leveraged ESOPs.

"We haven't set it up yet," Stephen Kowalke, Dayton Hudson's director of long-term financing, said of the ESOP that would own 9.1% of the company. "We're poising ourselves to go depending on how the ESOP legislation goes."

"I think a lot of companies are in the same boat, waiting to see what happens with the ESOP legislation," he said.

Corey Rosen, executive director, National Center for Employee Ownership Inc., Oakland, Calif., added, "You haven't seen any big ones announced since the Ways and Means Committee announced its action."

A number of other companies, however, rushed to set up leveraged ESOPs before the July 10 effective date of the proposed legislation introduced by Ways and Means Committee Chairman Dan Rostenkowski, D-Ill., that would eliminate the tax deductibility of dividends paid to ESOPs. The bill, H.R. 2572, has been attached to the budget reconciliation bill being marked up last week in the Ways and Means Committee.

"At this point the (budget reconciliation) bill probably wouldn't be reported out of committee (to the House floor for vote by all representatives) until the first or second week of September, after the recess," said Patricia Reid, staff assistant to the Ways and Means Committee and to Mr. Rostenkowski. The recess was to begin Aug. 5.

Among them was Inland Steel Industries Inc., Chicago, which created a $150 million ESOP to control 10% of the company's stock. It was set up July 7, "getting it in under the wire," said Sam H. Saran, assistant to the chairman and director of corporate communications.

Other companies establishing ESOPs just before July 10 were United Technologies Corp., Hartford, Conn., setting up a $600 million ESOP; McKesson Corp., San Francisco, $125 million; Square D Co., Palatine, Ill., also $125 million; Meridian Bancorp Inc., Reading, Pa., $65 million; and Turner Broadcasting System Inc., Atlanta, $20 million, according to Mr. Rosen's organization.

Dayton Hudson's board of directors announced the con-

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LATE NEWS

Changes expected in futures pits

CHICAGO — The indictment of 46 futures traders at the Chicago Mercantile Exchange and the Chicago Board of Trade likely will speed reforms at futures exchanges, investment professionals said.

The traders were indicted on charges of defrauding customers through various practices. The trading pits hit most heavily were the Merc's yen pit, with 21 traders indicted, and the Board of Trade's soybean pit, with 19 indicted. The Board of Trade's Treasury bond pit and the Merc's Swiss franc pit each had three traders indicted.

Joanne M. Hill, first vice president at PaineWebber Inc., New York, said the indictments probably will accelerate the move toward automated trading, which would make it easier to track trades and harder to cheat customers.

Added Seymour N. Lotsoff, managing director of Lotsoff Capital Management, Chicago: "I suspect that it will, and probably should, lead to much more rigorous observation of what's going on. The exchanges have enormous self-interest in trying to police this."

Ms. Hill said those indicted likely were more involved with individual customer orders than institutional ones. It's harder to monitor small orders, she said. Also, pension funds and other institutions tend not to use agricultural futures and are more likely to use currency forward contracts than currency futures, she said. T-bond futures are popular with institutions, she added.

Mr. Lotsoff, whose firm uses T-bond futures, said he hasn't heard that any of his orders were affected.

Burkes files suit over dismissal

MADISON, Wis. — Marshall Burkes, former executive director of the $20 billion State of Wisconsin Investment Board who was fired after complaining to state officials about certain of the board's real estate investment practices and investments, sued the board, the trustees and the broker who brought in some of the property deals approved by the board.

In his suit, filed in Dane County Circuit Court in Madison, Mr. Burkes charged he was unfairly dismissed for raising issues that should have been of concern to the board and the state. Mr. Burkes seeks back wages and interest, reinstatement, attorneys fees and other costs and punitive damages.

The Wisconsin board denies the allegations. Officials have said Mr. Burkes was dismissed because of his management style.

According to the suit, questions raised by Mr. Burkes "were a matter of public concern because they involve potentially unethical behavior by state officials and their susceptibility to (M. William) Gerrard's influence peddling and intimidation which directly implicated financial concerns and integrity of the investment of funds on behalf of (the) State of Wisconsin."

Mr. Gerrard is the lobbyist, former political leader and real estate broker involved in the deals questioned by Mr. Burkes.

Global securities lending begun

NEW YORK — The $3.4 billion City of Los Angeles Fire and Police Pension System has launched an international securities lending program, joining a small but growing number of pension funds.

The fund, which recently began investing overseas, appointed Bankers Trust Co. as its global custodian after an informal search. Bankers also will run the international securities lending operation, which was adopted "as an opportunity to get a little more bump out of our investment portfolio," according to Dennis Sugino, chief investment officer.

Bankers also provides domestic securities lending to the fund in its capacity as the fund's domestic custodian.

Separately, the fund is planning to invest $55 million in two real estate commingled funds. Ronald A. Karp Associates, Summit, N.J., will assist in the search.

Ontario board selects Northern

TORONTO — The Ontario Workers Compensation Board hired Northern Trust Co., Chicago, as global custodian after an in-house search, a board official said. He declined to state the amount of assets held by the board or the amount involved in the global custodial relationship. Northern Trust also declined to release additional information.

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Vol. 17, No. 17 — Pensions & Investment Age (ISSN 0273-5466) is published biweekly with a special edition in May, at 740 Rush St., Chicago, Ill. 60611. Second class postage paid at Chicago, Ill. and at additional mailing offices. Postmaster: Send address changes to Pensions & Investment Age, Circulation Dept. 965 E. Jefferson, Detroit, Mich. 48207.

Real estate questionnaires out

Questionnaires for the real estate investment manager profiles have been mailed. In order to be included in the Oct. 2 issue, the completed questionnaires must be returned by Aug. 28. If you have any questions, please call [illegible]tine Philip at (312) 649-5217.

Business squares off

Groups ready for battle over benefits

By Joel Chernoff

WASHINGTON — Business groups are bracing for a legislative attack on early retirement incentives and severance pay plans.

Employers fear Congress will go far beyond reversing a controversial Supreme Court decision, which broadened an exemption for employee benefit plans under the Age Discrimination in Employment Act.

The American Association of Retired Persons says employers are crying wolf, and suggests business could be trying to reshape the law in its own favor.

Employers fear any measure might be attached to the budget-reconciliation bill now before Congress, and argue the issue merits a full round of hearings.

In June, the Supreme Court said employers are allowed to make age-based differences in their employee benefit plans except if those plans were intended to discriminate against older workers on a non-fringe benefit related issue, such as hiring or firing.

That ruling, in Public Employees' Retirement System of Ohio vs. Betts, knocked out the Equal Employment Opportunity Commission's interpretation that an employer could reduce benefits to older workers only if it spent the same amount on all employees (*Pensions & Investment Age*, July 10).

Howard Weizmann, executive director of the Association of Private Pension and Welfare Plans, Washington, said current proposals being circulated go beyond reversal, and would endanger employers' ability to integrate early retirement and severance pay benefits, which already has come under attack in the courts.

Mr. Weizmann said employers should be able to view benefits paid out to older workers as a "package," considering employees' entire retirement needs. But recent court rulings, backed by the EEOC, have forced some employers to view severance and retirement benefits separately, which results in a windfall for older workers. New legislation might codify these rulings.

In reality, employers have a fixed amount available to pay benefits, and the inability to offset severance benefits by pension benefits would decrease the attractiveness of these plans, Mr. Weizmann said. The plans are considered a humane alternative to layoffs, he argued.

In addition, employer groups fear there might be restrictions on being able to reduce early retirement or severance benefits based on age, or to make early retirement incentives greater for younger employees who are eligible for retirement. They also want any legislation to be prospective in effect.

But David Certner, a legislative representative for AARP, said the retiree group has no hidden agenda in legislation under discussion. "We're trying to do something here that is not controversial and that would not open up new issues," he said.

Already, Sen. John Heinz, R-Pa., sponsored a bill that would

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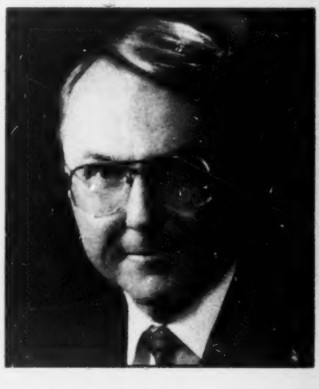
Shultz leaving RJR fund post


R. Shultz

ATLANTA — Robert E. Shultz, vice president-pension asset management at RJR Nabisco Inc. since March 1987, will leave the company at the end of October.

Mr. Shultz has declined to move to New York, the company's new headquarters following the huge, recently completed leveraged buy-out of RJR Nabisco. His career plans are undecided, but Mr. Shultz said he has had discussions with consulting firms and would consider another pension executive position.

Mr. Shultz significantly changed the management of the company's $2.6 billion pension fund, implementing a passive core/active satellite investment management approach. Under the plan, an indexed core portfolio is managed internally, with a stable of active managers hired to complement the core. He said about $650 million is managed internally, $160 million of it in active portfolios. Mr. Shultz also oversees a $1.4 billion savings plan.

In the restructuring of the pension fund — partly caused by the merger of the pension funds of R.J. Reynolds Industries Inc. and Nabisco Brands Inc. — six equity managers were terminated and four hired. One fixed-income manager was dropped and three were hired.

Mr. Shultz said no one had yet been named as his successor. The other members of the RJR Nabisco pension management team are John MacMurray and Paul Tyner, both directors of pension fund management, and Tommy Huie, senior portfolio analyst and acting chief investment officer of RJR Investment Management Inc., the in-house money management operation.

Mr. Shultz is president and was one of the founders of the National Investment Sponsor Federation, an organization of regional pension executive groups. He also is on the board of directors of the Institute for Quantitative Research in Finance and the ERISA Industry Committee, is subcommittee chairman for the Committee on Investment of Employee Benefit Assets and is a member of the New York Stock Exchange Pension Managers Advisory Committee.

Before joining RJR Nabisco, Mr. Shultz had been director of U.S. retirement assets at IBM Corp. for seven years. Before that he was pension funds administration manager at Western Electric Co. Inc. for a year, and was general financial supervisor of pension funds at New York Telephone Co. for six years. ■

Dreman sells 80% stake

By Marcia Parker

NEW YORK — In yet another sign of the surge of popularity in owning profitable asset management firms, the Lodestar Group, an investment banking boutique, and Dreman Value Management, a leading institutional money manager, tied the knot.

Lodestar is buying controlling interest in Dreman, which is owned by David Dreman, for about $96 million. Both firms are in New York.

Dreman Value, an active equity, active fixed-income and balanced manager, has about $4.3 billion under management — mostly tax exempt — and has been growing rapidly. Its clients include American Airlines Inc., the International Monetary Fund and Federal Express Corp.

Mr. Dreman initially will retain a 20% stake in the firm. Through an incentive program, Mr. Dreman said, eventually he could own more than 38% of the firm.

He said he had been approached by several other potential buyers in recent years, but because he wanted to retain control of and a significant interest in the business, no deals were consummated.

"We think Lodestar is a first-rate group. We will be run as an autonomous unit, and there will be no changes in our firm's discipline or style," Mr. Dreman said.

He said Dreman Value's top people signed five-year employment contracts, giving them lucrative compensation packages and guaranteeing the stability of the firm.

Mr. Dreman spent much of last week calling clients to tell them about the move.

Pension executives contacted by *Pensions & Investment Age* said the assurances sounded good for now, and they would keep an open, but alert, mind to the firm's makeup.

"At the present time, we are comfortable," said Ralph Tannahill. He is retirement administrator for the two Kansas City, Mo., pension funds that have hired Dreman for value/contrarian equity investing.

He said the $110 million firefighters' pension system has $26 million with Dreman, while the $190 million employees' retirement system has $33 million with the firm.

"We always try to be alert to changes in the investment firms, specifically with the managers," Mr. Tannahill said. "That is important because investment management is such a people busi-

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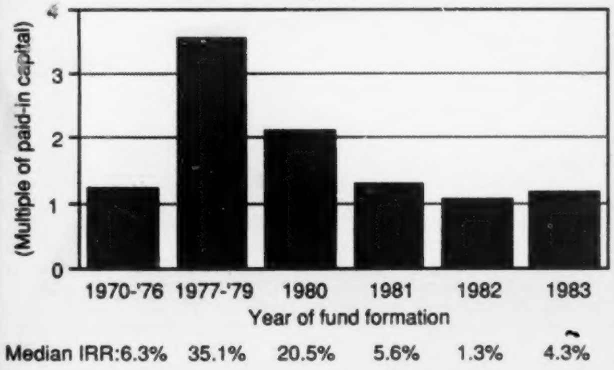
Venture capital cools off*



*Total value of capital and internal rate of return as of year 5

Source: Venture Capital Performance '89, Venture Economics Inc.

Venture capital returns unlikely to set records

By Trudy Ring

Investors who bought into venture capital funds in the early 1980s expecting returns like those earned by funds started in the late 1970s are likely to be disappointed.

Returns from the funds started in the early 1980s will be substantially below the returns of funds started in the late 1970s, which had average compound annual returns of more than 35%, a new study by Venture Economics Inc., Needham, Mass., suggests.

The new venture capital performance study suggests moderating returns in the industry represent a return to normal, while some investment professionals say this phenomenon is a result both of the industry's cyclicality and its problems.

The study shows venture capital funds formed in the early 1980s have achieved five-year compound annual returns similar to those posted in the early 1970s, but far short of the funds that began in the late 1970s and were able to liquidate much of their capital in 1983's soaring market for emerging growth stocks. These funds realized much of their gains during that period.

Despite that factor, the study said, the late 1970s funds returned a smaller multiple of their initial capital to investors than did the early 1970s funds.

If the 1980s funds are able to liquidate their portfolios as successfully as the early 1970s funds, many of them could achieve similar returns, although the average return might be lower, the study said.

By the end of five years — half of the life of a typical venture capital fund — funds formed from 1977 through 1979 had distributed twice the initial capital paid in. They had achieved a median internal rate of return of 35.1%, on a compound annual basis. Their valuation at that point was 3.53 times paid-in capital, including distributions plus residual value. By the end of their lives, these funds had returned 2.9 times the paid-in capital to investors and had a compound annual return of 31%.

Residual value and interim internal rates of return both are functions of private valuations and assume an ability to liquidate at that valuation — something that is not always possible. All return figures are net of fees and general partners' "carried interest" — usually a 20% share of the profits.

Funds formed from 1970 through 1976 had distributed only 18% of their paid-in capital during their first five years. They had a median internal rate of return of 6.3% and valuation of 1.23 times paid-in capital as of year five. By the end of their lives, however, they had returned to investors 4.3 times their paid-in capital and achieved a compound annual rate of return of 20%.

Linda Vincent, vice president in Venture Economics' Investor Services Group, said those funds could have a lower compound annual return, yet return more absolute dollars to investors, than the 1977-'79 funds because of the timing of distributions. With the large amount of early distributions, the 1977-'79 funds locked in a high rate of return, she said.

Funds formed in the 1980s have similar distribution and return patterns to the early 1970s funds, she said. For instance, 1983 funds had distributed 24% of paid-in capital by the end of 1988. At that time, those funds had a median internal rate of return of 4.3% and a valuation of 1.15 times paid-in capital.

Funds formed in 1982 had a five-year median internal rate of return of 1.3% and valuation of 1.04 times paid-in capital; those from 1981 had a five-year median internal rate of return of 5.6% and valuation of 1.29 times paid-in capital; and those from 1980 had a five-year median internal rate of return of 20.5% and valuation of 2.1 times paid-in capital. Funds less than five years old are too new to measure.

By the end of their lives, the 1981 and 1982 funds likely will have a lower rate of return than 1980 and 1983 funds, the study said. The 1981-'82 funds were formed in a period when prices on venture deals were very high, and when these deals included a lot of "me-too" companies, Ms. Vincent said.

"If you have 100 personal computer manufacturers, you're not going to end up with 95 successful companies — it's more like five successful companies," she said.

The 1981-'82 funds likely will end up with annualized returns lower than 10%, the study said. While there is time to improve on that projection, such a development isn't likely.

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Funds putting heat on Coldwell Banker

By Steve Hemmerick

LOS ANGELES — Some pension funds, smarting from declining performance of at least three Coldwell Banker limited partnerships, are considering removing Coldwell Banker Realty Advisors as general partner in one fund and forcing asset sales in another.

Officials for the $3.8 billion San Francisco City & County Retirement System will hear reports Aug. 8 about their $100 million investment in five limited partnerships. Trustees, attorneys and the fund's real estate consultant, The Townsend Group, will discuss the potential effects if the San Francisco fund were to use its controlling interest in the approximately $55 million Coldwell Banker Fund III to remove the general partner.

Four other pension investors are concerned about the performance of Coldwell's Fund VI, which has about $110 million in assets:

- Executives of the $170 million pension fund of Levi Strauss & Co., San Francisco, have queried other Fund VI participants about possibly liquidating that fund by a vote of the majority of limited partners or buying out Levi Strauss' shares in the partnership.
- The $859 million pension fund of Bank of America, also in San Francisco, has asked real estate consultant Frank Russell Co. to examine the fund and its assets.
- Officials for the $4.3 billion pension fund of Unisys Corp., Detroit, are asking for a meeting of all Fund VI's limited partners to discuss strategies to improve performance. Unisys has about $6 million in Fund VI.
- An official for the $2.5 billion pension fund of Honeywell Inc., Minneapolis, meanwhile, met July 28 in Los Angeles with Coldwell Banker officials to discuss asset management plans for Fund VI. Neither side would discuss the results of the meeting.

The $3 billion Atlantic Richfield Co. pension fund, Los Angeles, already has had extensive discussions with Coldwell Banker officials considering the strategy for disposition of assets in Fund IV, and is closely monitoring Coldwell Banker's effectiveness in carrying out that strategy. ARCO has about $6 million in Fund IV and about $6 million in Fund V.

Coldwell Banker's eight limited partnerships, formed between the mid-1970s and mid-1980s, collected a total of $968 million from pension funds. Coldwell's strategy for the funds, most begun during real estate's heyday, was to buy primarily small office and industrial properties, especially in the South and West. More than 50% of the purchases were between $1 million and $10 million. Buys were made particularly in the South and West.

Later, however, small office properties that didn't dominate their markets suffered some of the most severe declines in asset value as oversupply problems escalated. At the end of 1984, just before the Energy Belt crashed, the Coldwell funds still were buying properties in Texas and Colorado.

Pension investors say returns were outstanding until as recently as the third quarter of 1984. Coldwell's Fund V was the top-performing closed-end fund for the one-year period ended Sept. 30, 1984, returning 18.5% in Pension & Investments' Performance Evaluation Report. During that same period, five of Coldwell's seven funds in existence reported one year returns of 10% or higher.

By 1986, some of the Coldwell funds wrote down properties, and returns began to slide sharply. According to the most recent PIPER statistics, Fund IV had a −1.16% return, Fund VI had a 2.45% return and Fund III had a 3.02% return for the year ended March 31. The median return for the period was 8.7%.

Fund III, the oldest Coldwell fund still in existence, had a 9.42% compound annual return for the 10 years ended March 31 before fees. While the return is slightly above the median return for real estate funds today, Terry Ahern, a principal with The Townsend Group, Cleveland, said most of the return can be attributed to performance when real estate markets were tight.

Another fund nearly as old, JMB Group Trust I, he said, has had a compound annual return of about 16%.

Pension executives will move cautiously in deciding whether to make drastic changes in the management of Coldwell's funds.

Clare Murphy, executive director of the San Francisco fund, said officials there want to carefully check their responsibilities and the "legal consequences" if San Francisco is the "sole actor" in replacing Coldwell as general partner of Fund III.

Such removal is less likely at Fund VI. "We are by no means convinced that the dissolution of the partnership and the removal of Coldwell is the appropriate remedy," said David A. White, vice president for capital management and trust investments at Unisys. He said Coldwell's organization today is not the same one that bought what he termed some disastrous properties.

Coldwell officials have rejected an effort to have a meeting of the limited partners, Mr. White said, but he is trying to enlist other pension funds to hold such a meeting. He also warns he would support the idea of removing Coldwell as general partner if he

Continued on page 43

Investors plan Time protest

By Marcia Parker

WASHINGTON — Institutional shareholders of Time Inc. and Warner Communications Inc. will meet Aug. 24 to discuss how to register their displeasure over the $14 million merger that will create one of the world's largest media and entertainment giants.

They want to prevent other cases of what they call shareholder disenfranchisement and send a message to the courts that boards of directors shouldn't have total control in a takeover.

Institutional Shareholder Services, a Washington consulting firm whose clients include major public pension funds with large corporate holdings, is spearheading the effort. ISS officials weren't available for comment.

But several institutional investors confirmed the meeting in New York, and said various options would be discussed.

Officials of the Teachers' Retirement System of Louisiana, owner of 6,000 Time shares, plan to attend the meeting. New York attorney Walton Bader, who is representing the Louisiana system, said one option is dumping Time-Warner stock on the market in protest, which likely would depress the stock. Other options include: an appeal to the U.S. Supreme Court alleging a violation of the due process clause of the Constitution because stockholder property was taken without due compensation; a lawsuit based on Securities Act violations; filing suit against Time directors for damages; and waging a proxy fight to unseat directors at the next election of board members.

After the Delaware Supreme Court last month gave Time and Warner the green light to merge, effectively derailing Paramount Communications Inc.'s hostile $12 billion, $200 per share bid, many institutional investors tendered their shares.

Paramount and other shareholders, including the Louisiana system, alleged in their unsuccessful lawsuit that Time's board breached its fiduciary duties by ignoring Paramount's bid and later changing the original all-cash Time-Warner merger proposal to a cash-and-stock tender offer, a move that eliminated the need for shareholder approval of the deal. Delaware Chancery Court rejected the argument and the Delaware Supreme Court upheld its decision.

Recently Time completed its $70-per-share tender offer for 51% of Warner's shares. Time will acquire the rest with a package of cash and securities valued at about $70 per share. Institutional shareholders owned 57% of Time and 59% of Warner as of March 31, according to CDA Investment Technologies, Inc., Rockville, Md.

But several shareholders still are angry.

In their view the court decision sets a very bad precedent. The Delaware Supreme Court not only rejected the arguments of Paramount and the other investors, but also affirmed the right of boards to control the fate of their companies in unfriendly takeovers, allowing them to reject a hostile bid when they have set out and adhered to well-designed, long-term strategic plans.

Some institutional investors fear the court ruling will lead to fewer mergers — and thus fewer opportunities to reap the rewards of ownership in mergers or takeovers — because boards will turn down bids by citing the existence of strategic plans.

The decision has come under fire from some investors and shareholder activists such as United Shareholders Association founder T. Boone Pickens, ISS President Robert Monks. They are concerned the decision represents a shift of the pendulum away from shareholder rights to giving the board of directors total control in a takeover.

On the other side are companies, directors and corporate attorneys who welcome the decision, saying it gives companies a defensive tool to stay a well-thought-out course. ■

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3 leave EAIMC, start new firm

By Fred Williams

NORWALK, Conn. — The three top executives of Evaluation Associates Investment Management Co. resigned July 31 to form a competing investment firm in nearby Westport, offering investment vehicles to bank trust departments.

Jim Ryan, who had served since mid-1988 as president of EAIMC, the bank funds management arm of Evaluation Associates Inc., quit along with Mark Portnoy and Mark Tonnucci, both senior vice presidents. Mr. Ryan and Mr. Tonnucci each joined Evaluation Associates Inc. in 1983; Mr. Portnoy joined in 1984.

The three now are founders and principals of Trust Advisory Group, which will offer investment services similar to the EAIMC manager-of-managers pooled funds to bank trust departments, according to Mr. Ryan.

Officials at Evaluation Associates declined to discuss the resignations of the three senior executives, but announced Robert P. Watson had been appointed president of EAIMC. Mr. Watson is one of the founding partners of Evaluation Associates and had served as president of EAIMC until Mr. Ryan assumed the post. Since then, Mr. Watson has been in charge of special projects and developing new investment vehicles.

EAIMC has approximately $1.5 billion in assets under management in 11 mutual funds and one commingled fund, said Mr. Watson. He declined to discuss clients, but sources say EAIMC offers its pooled funds to 25 to 30 small and midsize regional bank trust departments.

One source at Evaluation Associates said the resignations came as a surprise. The investment process will not be affected, "but it will be felt more in the client services area," the source said.

A trust investment officer at one client bank — First National Bank and Trust Co., Tulsa — said the resignations caught bank officials off guard.

"We got a (facsimile) letter from them on July 31 announcing the new firm," said the trust officer, who asked not to be identified. "It left us momentarily not knowing anyone there to talk to. They were the only three we had ever met. But within 24 hours we had a new name." The officer added there were no plans to make any changes.

Mr. Ryan said the three officers believed the timing was right to branch out on their own after working together for several years.

"We had a conversation or two before deciding to do something as important as resign. We had spent five years building an investment management service in some form at EAI. It wasn't sudden, and we had given it considerable thought," said Mr. Ryan.

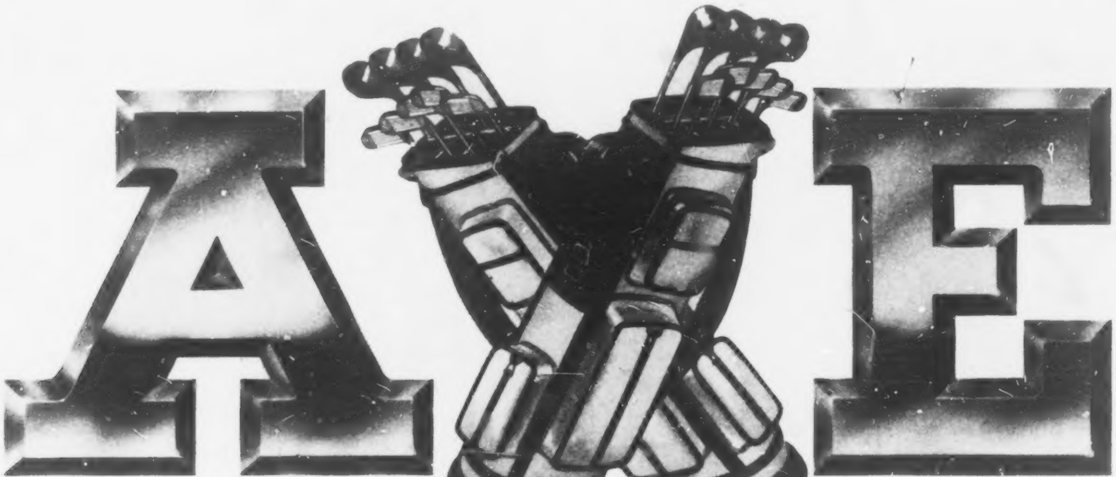
He said the Trust Advisory Group has not had time to acquire its first client — "We've only been in business for 24 hours" — and does not plan to solicit EAIMC clients. But, he said: "They know us and we know them." ■

CORRECTIONS & CLARIFICATIONS

• **Quantum American Inc.**, New Orleans, was one of the fixed-income managers hired by the City of New Orleans Employees' Retirement System in its recent restructuring. The firm was identified incorrectly in the June 26 issue.

• A July 24 article reporting a decline of $1 billion in indexed fixed-income assets managed by **Dimensional Fund Advisors** was incorrect. Dimensional manages those assets in a semipassive portfolio.

• **James Lockhart**, the new executive director of the Pension Benefit Guaranty Corp., does not believe plant shutdown benefits belong in a pension plan. Also, he is relocating from Darien, Conn. An article in the July 24 issue



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FIXED-INCOME INVESTING

Pension execs pass on gimmicks

Opt for proven strategies

By Trudy Ring

The maxim, "If it's not broken, don't fix it," describes the attitude of many pension fund executives toward their fixed-income investments.

Investment officers at several large funds said they're sticking with strategies that have proven successful, such as duration-matching, dedications or indexing, and aren't shopping around for the newest ideas in bond management.

These responses are borne out by research from Greenwich Associates, the Greenwich, Conn.-based consulting firm, which showed minimal interest in making changes in the fixed-income investment approaches.

According to the Greenwich Associates survey, 72% of corporate pension funds use active fixed-income management, and only an additional 4% plan to start.

Among public funds, 89% use active fixed-income management, and only an additional 1% plan to start.

The survey showed that 23% of corporate funds use immunized or dedicated bond portfolios and only 3% plan to use them, while 10% of public funds use these approaches and again, only 3% plan to use them.

Other passive bond approaches are used by 21% of corporate and public funds alike, and only 3% of each plan to begin using them.

High-yield bonds have limited appeal, with only 7% of corporate and 9% of public funds using them, and only 2% of corporate planning to begin using them. No public funds not now using junk bonds plan to begin using them.

Some funds using active strategies are buying short-maturity instruments, because of the currently flat yield curve, while not making major shifts in approaches.

Many of the duration-matched and dedicated portfolios were set up several years ago. Executives don't predict a major new wave of dedications because of the drop in interest rates. However, the interest in matching duration of assets and liabilities has increased.

Late last year, the $3 billion Public Employees' Retirement Fund of Indiana, Indianapolis, began putting its new cash flow into an index fund whose benchmark has a longer duration than most bond indexes and therefore is closer to the duration of liabilities (*Pensions & Investment Age*, Dec. 12).

To date, that cash flow has amounted to $250 million, said Lee Tanner, president of Prime Capital Management Inc., Indiana. Prime Capital manages $1.5 billion in bonds for the public employees' fund, its sole client.

The index is the Salomon Brothers Core Plus 5 Index, which is the Salomon Brothers Broad Investment Grade Bond Index minus treasury and agency se-

Continued on page 14

Demand for fixed-income products

	Active bonds		Passive bonds		Immunized/ dedicated		High yield	
	% now using	% planning to use	% now using	% planning to use	% now using	% planning to use	% now using	% planning to use
Corporate	72	4	21	3	23	3	7	2
Public	89	1	21	3	10	3	9	0
Union	86	2	35	6	22	6	4	0
Endowments/ foundations	90	1	12	3	.4	3	15	2

Source: Greenwich Associates Inc.

New tack in foreign accounts

By Margaret Price

The rise of the dollar in the past 18 months has turned the interest of pension funds considering foreign bond investments to a global rather than an international approach.

This is the reverse of their approach to international equities, where the funds generally have wanted their managers to be international, not global managers: they wanted them to stay out of the United States, where they have specialized U.S. managers.

Given the popularity of international equities during the 1980s, at least some investors and analysts initially expected international bonds also to catch fire with pension funds.

That thinking, however, was at least premature. The dollar's volatility and the hot debate over whether foreign bonds should be a separate asset category have slowed any action.

Those who have committed to foreign bonds recently have been seeing global bond managers as the answer to such potential problems as currency hedging and drops in foreign bond prices. A global strategy allows the manager to move into dollar-denominated bonds when appropriate.

In addition, there is minimal interest among pension executives for passive foreign fixed-income strategies.

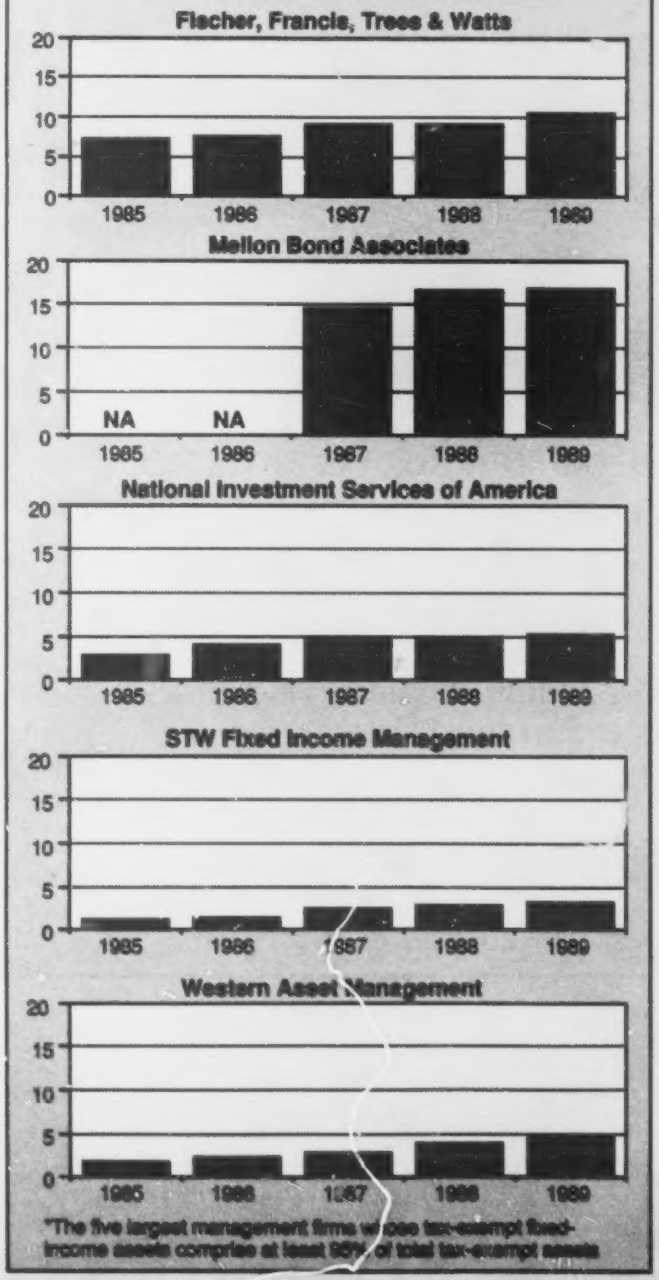
Global bonds haven't surpassed international fixed in come in terms of overall popularity. Data from InterSec Research Corp., Stamford, Conn., show that in 1988, total foreign bond investments by pension funds reached about $9 billion. Of that, about 40% was in global mandates, 60% in international.

But because of bonds' characteristics, such as their close linkage with currencies and sometimes other countries' interest rates, some consultants, money

Continued on page 16

Banking on fixed income*

All figures $ billions



Fischer, Francis, Trees & Watts

Mellon Bond Associates

National Investment Services of America

STW Fixed Income Management

Western Asset Management

*The five largest management firms whose tax-exempt fixed-income assets comprise at least 95% of total tax-exempt assets

Structure gains

But firms don't forgo active styles

By Leonard J. Hollie

A more structured bond account may be gaining in popularity among some plan sponsors, but managers are not ready to write off active fixed-income management strategies just yet.

"We are seeing that more people want a passive strategy," said Gary Coburn, senior managing director in charge of fixed income for The Putnam Cos., Inc. "Plan sponsors are focusing less on active approaches. Active approaches are not as active as they were 10 years ago, but I don't think it's dying."

Decisions on whether to favor an active or passive approach come at a time when both plan sponsors and managers are seeking ways to minimize risk following a decade of interest rate volatility. During the past 10 years, government interest rates ranged from a low of 7.2% to a high of 15.23%, according to Salomon Brothers Inc. Corporate interest rates ranged from 8.25% to 16.5% during the decade.

While some sponsors opt for structured accounts to cover liabilities, others seek a more active approach as a bulwark against market volatility. Some, however, want a hybrid of the two approaches, setting certain parameters of activity within a structured account.

A slight shift from strict active approaches has been detected during a five-year period in publicly reported searches for active fixed-income managers.

Deanna Frederick, assistant consultant with Eager & Associates, Louisville, Ky., found the percentage of active fixed-income managers sought by plan sponsors from 1984 to 1988 remained relatively the same, although the amount of money placed with those sponsors declined. In 1984, active fixed-income managers comprised 20% of the managers sought in all asset classes; in 1988, 18%. During the same period, the amount of assets placed with those managers declined to $6.7 billion or 20% of assets in tracked searches from $7.3 billion or 33% in 1984.

Managers, however, say they are under no pressure from sponsors to offer passive strategies.

"I know indexation has redeeming value in stock, but I can't see a reason to ever use a passive approach to the bond market," said Edward Sporl, chief financial officer and senior vice president for fixed income at Seibel Capital Management Inc., Larkspur, Calif.

"Every so often, a consultant raises the issue. But the basic idea we are selling in the bond portion of the market is there is a virtue in low volatility."

Business has boomed for Seibel in the past five years. The firm, which manages only active fixed-income accounts, had $6.4 million in assets under management in December 1983; In December 1988 the figure was $988.6 million. Currently it has $1.24 billion under management.

For 10 years ended Dec. 31, 1988, Mr. Sporl said Seibel has had a compound annualized return of 12.6%, compared with 10.9% for the Shearson Lehman Hutton Government/Corporate Bond Index.

"We manage the portfolio to produce low volatility," Mr. Sporl said. "Once we see the market has troughed out, we shorten securities to reduce volatility. Historically, that has been a strategy that worked. It takes you out of negative volatility."

The other element that loomed large in the past 10 years is direct government intervention in the credit market. "By being short during times when there may be some direct intervention, we reduce the chance of having volatility in the market," he said.

Billy Williams, a principal with STW Fixed Income Management Inc., Santa Barbara, Calif., agrees the market is less efficient and volatile. "This is the time to do well in active strategies."

He said the company has managed to be successful during the decade of volatility by not timing

Continued on page 15

Execs pass

Continued from page 13

curities with maturities of less than five years. Some $500 million of Prime Capital's assets are in a straight Salomon BIG strategy.

Also late last year, the New York City Retirement Systems tailored its bond investments to a similar long-duration index developed by Shearson Lehman Hutton Inc., New York (*P&I Age*, Dec. 12).

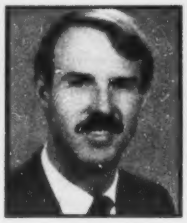
Those investments now amount to $20.5 billion of the systems' $33 billion total assets, said Beverly Hamilton, deputy comptroller. The index suits the systems' long-term liabilities and will allow a pickup of 60 basis points of return a year, she said.

The $17.5 billion Florida State Board of Administration, Tallahassee, has had a duration-matched fixed-income program for several years, said Cliff Hinkle, executive director. The fund has about 43% of its assets in fixed income, all in the duration-matched strategy and largely managed in-house, he said. "We're very much sticking to the fundamentals we've been successful with," he said.

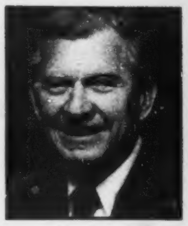
Some other funds use duration differently. The $3.7 billion Tennessee Consolidated Retirement System, Nashville, uses an active, quantitative fixed-income model that makes duration shifts in liquid U.S. Treasury securities, attempting to find anomalies in

B. Hamilton

C. Hinkle


C. Webb

R. Wohlert


G. Patterson

yield spreads, said Charles Webb, chief investment officer. The fund has used this approach for some time, he said.

On the dedicated side, Southwestern Bell Corp., St. Louis, set up a dedicated portfolio a few years ago to cover liabilities for retirees, and has added to it as needed, said Roger Wohlert, managing director-finance. The dedicated fund now accounts for about 30% of the company's $6.8 billion in pension assets and covers all retirees through 1987, he said.

Southwestern Bell probably won't add to the dedicated portfolio this year, because it hasn't had enough retirees since 1987 to make a major difference in liabilities and because interest rates have been coming down, Mr. Wohlert said. "It's always nice, if you're dedicating, to lock in a higher rate," he said.

Russell P. Flynn, manager-pension fund investments at Chrysler Corp., Highland Park, Mich., said the drop in rates leads him to believe there won't be a major new wave of dedications.

He added the Chrysler fund is into active bond management, focusing on maturities. "We're still getting a lot of recommendations to stay in the two- to five-year (maturity) range," he said. Perhaps later this year, there will be an opportunity to go longer, he said. Chrysler has about 45% of its $4.1 billion pension fund in fixed income.

The $6 billion South Carolina Retirement System is buying in the four- to seven-year maturity range because the yield curve is so flat, said Grady L. Patterson, state treasurer. The fund is 100% in fixed income; with longer bonds purchased in previous years, its average maturity is 12 to 13 years, he said.

Some executives have doubts about investors' ability to time the bond market. Mr. Tanner said he expects continued interest in bond indexing because of this factor. He also expects to see increased use of longer-duration indexes.

Ms. Hamilton said customized indexes are becoming more popular: "It's relatively easy to create an index that meets your needs, rather than just buying one off the shelf."

Mr. Flynn agreed indexing in general is attracting investors, but he still believe active management can beat the fixed-income market, where he said there are more mispricings than in the stock market.

Several executives, including Messrs. Flynn and Webb, said their funds have never used high-yield bonds. Mr. Webb predicted other pension investors likely will continue to use those instruments, unless there's a major default or federal tax laws are changed to remove advantages for companies to issue junk bonds. ■

Dana offers GIC option

BROOKFIELD, Wis. — Dana Investment Advisors, primarily a fixed-income manager, now has a commingled guaranteed investment contract fund.

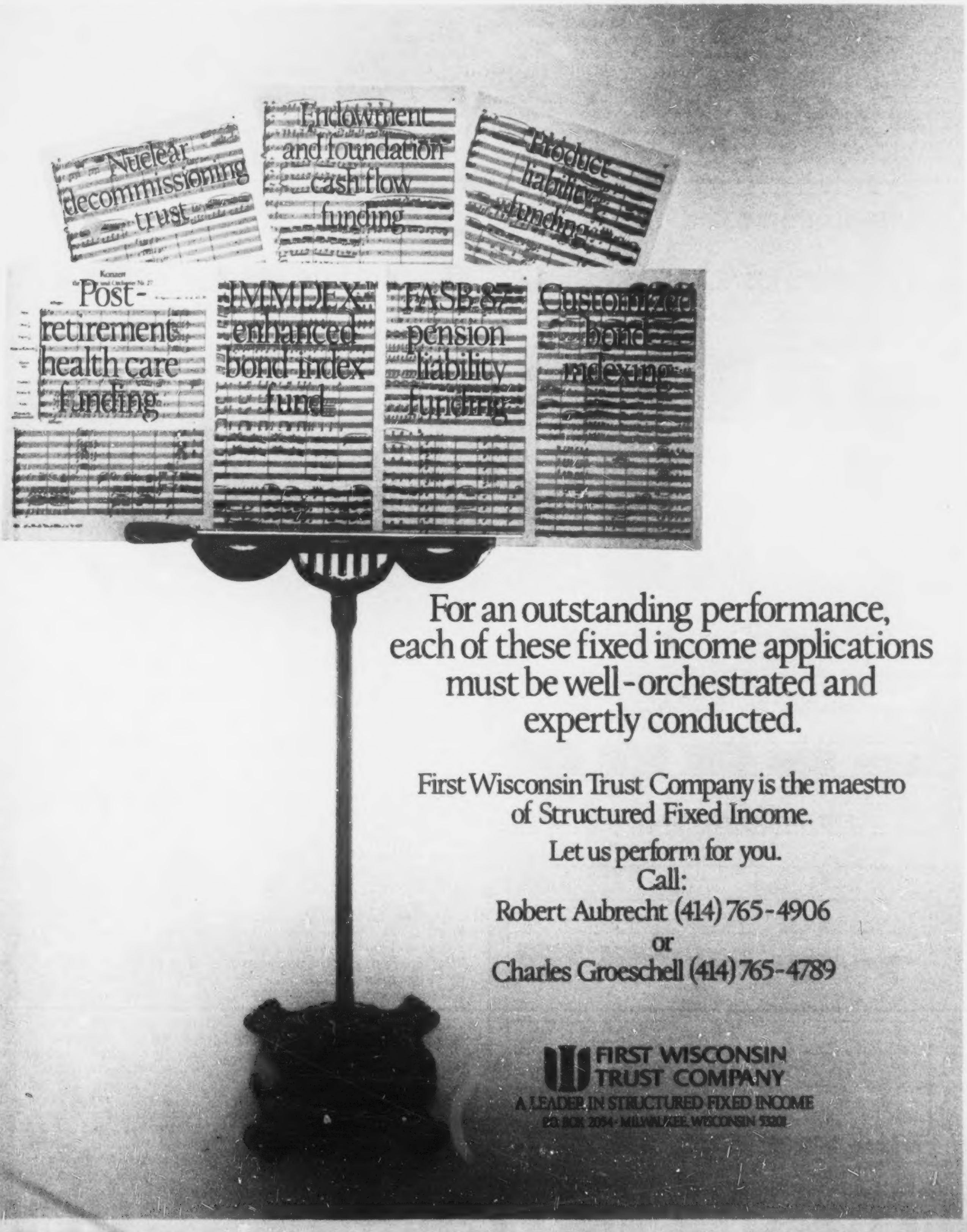
Donald J. Moore, senior vice president, said the fund will be offered to Dana's clients, primarily 401(k) plans that want to offer participants a GIC option

The fund will be managed by LaSalle National Bank, Chicago.

"The LaSalle fund is a commingled fund using 22 to 25 issuers, and we have adopted their fund as part of our offering," he said.

He said only one client has signed up for the GIC fund so far, but others are considering adding the option.

Dana, which also offers equity management, runs about $350 million, of which $280 million is tax exempt.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Consumer stocks take lead

By Trudy Ring

KANSAS CITY, Mo. — Stocks related to consumer spending led the equity market in the second quarter, while telephone bonds outperformed other fixed-income sectors, according to DeMarche Associates Inc., Kansas City.

Consumer spending stocks advanced 12.7% in price in the quarter, while the Standard & Poor's 500 Stock Index had a price gain of 7.8%. The index had a total return of 8.8%. Except where noted, stock performance figures are price only.

The consumer spending sector advanced 32.9% in price in the year ended June 30, while the index was up 15.7%. The S&P 500's total return for the year was 20.5%. The sector includes companies in the food and beverage, tobacco, media, retail, lodging and restaurant industries.

Stocks responsive to interest rates made up the next best-performing sector. These stocks, including utilities and financial services companies, gained 10.8% in the quarter. For the year, they were up 21.7%.

Basic industry stocks gained 5.5% in the quarter and 6.5% on the year. This category covers the metals, automotive, transportation and building materials industries.

Technology stocks advanced 4.1% in the quarter and 3.3% for the year. This sector includes the aerospace, drug, electronics and office equipment industries.

Energy stocks had the quarter's poorest performance, gaining 2.2%. They were up 12.1% for the year. This sector is made up of domestic and international oil companies and oil service and equipment providers.

The 10 best-performing industries were lodging and restaurants, up 23.6%; media, up 19.1%; finance, up 17.1%; food packaging and processing, up 15.9%; electronic equipment, up 14.3%; textiles-products and apparel, up 14.2%; gas utilities, up 14.1%; telephone companies, up 12.9%; beverages, up 12.7%; and tobacco, up 12.5%.

The 10 worst-performing industries were containers, down 8.8%; automotive-cars and trucks, down 0.2%; international oil, up 0.9%; steel, up 1.6%; trucking, up 1.8%; chemicals, up 1.8%; aerospace, up 2.1%; paper, up 2.6%; aluminum and copper metals, up 2.7%; and office equipment, up 3.1%.

The top individual stocks were **Cullinet Software Inc.**, up 72.5%; **Hilton Hotels Corp.**, up 70.9%; **Holiday Corp.**, up 68.2%; **Kaufman & Broad Home Corp.**, up 63.9%; **Avon Products Inc.**, up 56.8%; **Campbell Soup Co.**, up 50%; **Harcourt Brace Jovanovich Inc.**, up 46.8%; **Kroger Co.**, up 44.1%; **Carter Hawley Hale Stores Inc.**, up 40.9%; and **Federal National Mortgage Association**, up 39.8%.

DeMarche also analyzes stock performance by quality, earnings growth and yield, grouping stocks in quartiles according to each factor. As ranked by quality, based on numerous balance sheet variables, superior-quality stocks had the quarter's best performance, advancing 10.5%.

As measured by growth, stocks with low, stable growth gained the most, 13.7%. As ranked by yield, those in the lowest yield quartiles gained the most in price, 12%.

In the bond market, telephone issues had the quarter's best return, 9.8%. The DeMarche Pension Fund Bond Index of more than 6,000 issues returned 7.7% in the quarter. Bond figures are total return.

Telephone bonds also led for the year ended June 30, returning 15.1%. The index returned 12.7% for the year.

U.S. government bonds had the quarter's second best return, 8.7%. They were up 13.5% for the year.

Utility bonds returned 8% in the quarter and 13.9% on the year. Canadian issues were up 7.8% for the quarter and 13% for the year.

Bonds issued by industrial companies returned 6.7% in the quarter and 11.7% for the year. Financial issues had a 6.6% return for the quarter and 11% for the year.

Yankee and foreign bonds, which led in the first quarter, were last in the second, returning 5.2%. They were up 10.9% for the year.

As ranked by quality, AAA rated bonds outperformed other categories, returning 8.5% for the quarter. As measured by maturity, those with maturities of 10 to 20 years had the best return, 9.1%. As rated by quality and maturity combined, AAA bonds with maturities of 10 to 20 years outperformed other categories with 9.8%. ■

Management firm started by 2 women

CHICAGO — Barbara L. Bowles, formerly corporate vice president for investor relations at Kraft Inc., Glenview, has formed The Kenwood Group Inc., Chicago, a minority-owned equity management firm.

Ms. Bowles will be president and treasurer of the firm. Joining her will be Barbara Jenkins, who will be vice president, equity portfolio manager and corporate secretary.

The firm's investment strategy will be value-oriented, Ms. Bowles said. It will focus on such factors as companies' cash flow and price-earnings ratios, but also will try to anticipate management decisions and their effect on value. The firm will concentrate on companies in the capitalization range of $200 million to $5 billion.

So far, the firm has about $200,000 under management, all for individuals, but it will be marketing to institutions as well.

Ms. Bowles was with Kraft for four years. Before that, she was assistant vice president and director of financial relations for Beatrice Cos. Inc., Chicago, and vice president-trust investments at First National Bank of Chicago.

Ms. Jenkins previously was manager of investor relations for International Minerals & Chemical Corp., Northbrook. She also has 11 years' experience as a senior investment analyst and officer for Bank of New York and Harris Trust and Savings Bank, Chicago. ■

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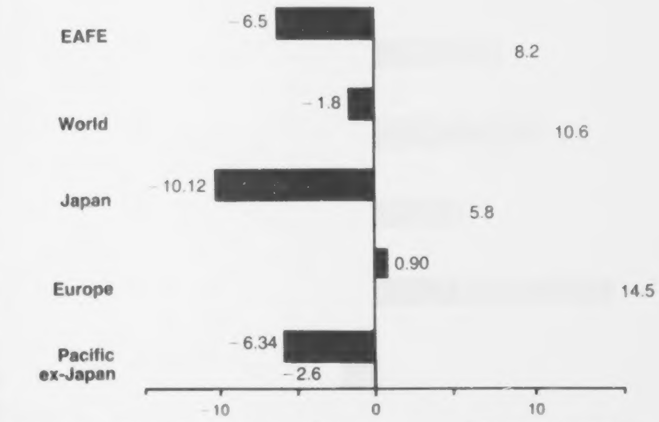
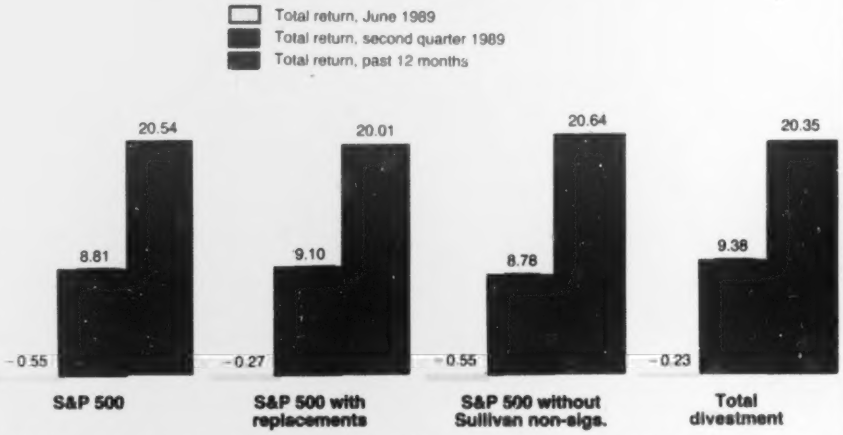
Morgan Stanley Capital International worldwide indexes



Source: Morgan Stanley Capital International, New York
Indexes are in U.S. dollar terms without dividends reinvested

South Africa Free Index

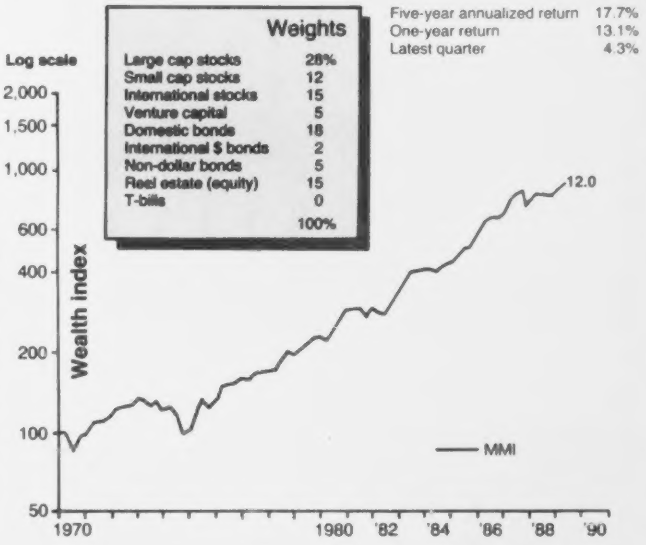


S&P 500 with replacements: replaces a South Africa-related company with next largest company in the industry. **S&P 500 without Sullivan non-signatories:** excludes 6 companies, no replacements. **Total divestment:** eliminates all companies with South Africa involvement, no replacements.

Source: Wilshire Associates, Santa Monica, Calif.

Multiple Markets Index

The Multiple Markets Index is a benchmark for total portfolio returns. It is composed of eight asset classes used by retirement plan executives; it is calibrated to reflect the same degree of risk of the typical pension portfolio; it uses passive fixed policy weights; and it represents the individual asset classes by the broadest and most complete market return data available.



Weights	
Large cap stocks	28%
Small cap stocks	12
International stocks	15
Venture capital	5
Domestic bonds	18
International $ bonds	2
Non-dollar bonds	5
Real estate (equity)	15
T-bills	0
	100%

Five-year annualized return	17.7%
One-year return	13.1%
Latest quarter	4.3%

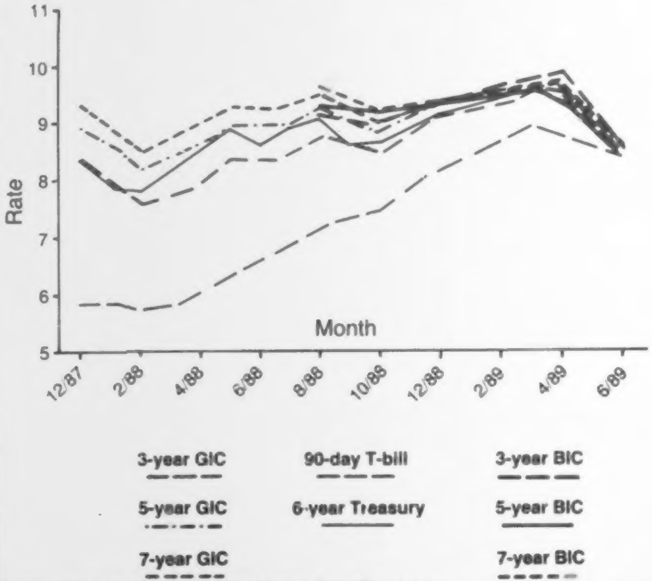
12/31/69 = 100

Data through 6/30/89

Source: First Chicago Investment Advisors, Chicago

Summary of average GIC & BIC data vs. market yields

(Bullet, compound $1 million contract)



Source: William M. Mercer Meidinger Hansen Asset Planning Inc.

Second quarter 1989 returns

	Russell 3000®	Russell 1000®	Russell 1000® by market capitalization				Russell 2000®
			Large	Medium/large	Medium	Medium/small	
Technology	6.9%	7.1%	7.1%	7.1%	8.9%	4.4%	5.6%
Health care	6	6.2	5.5	5.1	10	11.1	4.1
Consumer discretionary	12.6	13	13	13.1	13.8	12.2	9.2
Consumer staples	13.6	13.6	14	15.2	10.4	9.5	12.3
Integrated oils	3.5	3.5	3.5	3.2	6.9	−1	−13.3
Other energy	9.3	9.2	NA	4.2	14.1	10.2	9.6
Materials and processing	2.9	2.9	0.3	5.3	2.3	2.6	2.6
Producer durables	6.9	7	10.5	5.9	5.9	7.1	6.1
Auto and transportation	4.3	4.6	1.6	5.5	8.2	4.1	0.6
Financial services	9	9.2	5.3	10.1	9.6	9.3	6
Utilities	13.9	14	13.8	14.3	13.4	14.5	12.2
Total	8.8	9	8	10.1	9.4	8.5	6.4

Source: Frank Russell Co., Tacoma, Wash.

GIC yields fall with rates

By Curtis Vosti

Yields on insurance company guaranteed investment contracts dropped back below double digits in the second quarter, while spreads between them and comparable Treasury instruments fluctuated.

While some GIC rates had soared above 10% with the inflationary pressures by the start of the second quarter, they tumbled with the interest rate fall during the quarter.

"In fact, overall rates fell anywhere from 1.2% to 1.7% between mid-March and the end of June, depending on the duration, for the high quotes each week, as the market responded to diminishing concerns about inflation and a slowing economy," according to a publication from Fiduciary Capital Management Inc., Woodbury, Conn.

According to Sharon Morell, a senior contract negotiator with Morley Capital Management Inc., Lake Oswego, Ore., average GIC rates at the end of the second quarter fell to between 8.25% and 8.6%.

"But as rates have fallen, we have seen increasing spreads, particularly in the longer contracts," she said.

The GIC curve steepened slightly during the quarter as the spread between one- and five-year GICs widened to 30 basis points from 15 basis points in March, Ms. Morell said.

John Knight, president of Lamberson-Knight GIC Inc., a Short Hills, N.J., GIC brokerage, said the lower yields have prompted buyers to be more interested in three-year than five-year contracts.

"Since the rates are below 9%, buyers have shortened up," he said. He noted, however, five-year GICs still were being bought as a hedge.

He said the capacity problems of years past are not a factor anymore because insurance companies and buyers are going to market more than once a year.

The Fiduciary Capital Management publication, GIC Update, said although banks have helped meet the demand of guaranteed contracts, there still is room for caution.

"While banks continued to be aggressive in pricing shorter duration BICs, the congressional debate regarding FDIC coverage caused plan sponsors to think again about the strength of banks," according to the publication.

"We continue to believe it is inappropriate to place undue emphasis on the presence of FDIC insurance, since the underlying quality of the institution should be paramount to any BIC investment decision."

Insurance company rate quotations on representative five-year, single deposit, simple-interest, $1 million GICs as of June 30, unless otherwise noted, and March 30, as provided by Lamberson Knight and GIC Inc., a Beaverton, Ore., GIC manager, are:

- Allstate Life Insurance Cos., Northbrook, Ill.: June 30, 7.85%; March 30, 9.63%.
- American United Life Insurance Co., Indianapolis: 8.3%; 9.69%.
- Canada Life Assurance Co., Toronto: 8.49%; 9.91%.
- CNA Insurance Co., Chicago: 8.54% (June 27); 9.64%.
- Confederation Life Insurance Co., Atlanta: 8.62%; 9.95%.
- Connecticut Mutual Life Insurance Co., Hartford, Conn.: 8.35%; 9.7%.
- Continental Assurance Co., Chicago: 8.44%; 9.79%.
- Crown Life Insurance Co., Toronto: 8.22%; 9.99%.
- Executive Life Insurance Co., Los Angeles: 8.69%; 9.98%.
- Great West Life Insurance Co., Denver: 8.15%; 9.59%.
- Hartford Life Insurance Co., Hartford, Conn.: 8.39%; 9.89%.
- Home Life Insurance Co., New York: 8.34%, 9.68%.
- John Hancock Mutual Life Insurance Co., Boston: 8.44%; 9.79%.
- Life Insurance Co. of Georgia, Atlanta: 8.6% (June 27); 9.9%.
- Life Insurance Co. of Virginia, Richmond: 8.41%; 9.72%.
- Lincoln National Pension Insurance Co., Fort Wayne, Ind.: 8.62% (June 27); 9.93%.
- Massachusetts Mutual Life Insurance Co., Springfield: 8.3%; 9.85%.
- Minnesota Mutual Life Insurance Co., St. Paul: 8.58%; 9.99%.
- Mutual Benefit Life Insurance Co., Newark, N.J.: 8.18%; 9.8%.
- Mutual of New York, New York: 8.28%; 9.77%.
- New England Mutual Life Insurance Co., Boston: 7.97%; 9%.
- New York Life Insurance Co. New York: 8.45%; 9.9%.
- Northwestern National Life Insurance Co., Minneapolis: 8.26%; 9.92%.
- Ohio National Life Insurance Co., Cincinnati: 8.6%; 10%.
- Pacific Mutual Life Insurance Co., Newport Beach, Calif.: 7.95%; 9.24%.
- Pan American Life Insurance Co., New Orleans: 8.59%; 9.89%.
- Penn Mutual Life Insurance Co., Philadelphia: 8.33%; 10.02%.
- Phoenix Mutual Life Insurance Co., Hartford: 8.37%; 9.66%.
- Principal Mutual Life Insurance Co., Des Moines, Iowa: 8.31%; 9.56%.
- Provident Mutual Life Insurance Co., Philadelphia: 8.39%; 9.76%.
- Provident National Life Assurance Co., Chattanooga, Tenn.: 8.06%; 9.51%.
- Southwestern Life Insurance Co., Dallas: 8.43%; 9.89%.
- State Mutual of America, Worchester, Mass.: 8.15%; 9.75%.
- Transamerica Life Insurance Co., Los Angeles: 8.4%; 9.99%.

William M. Mercer Meidinger Hansen Asset Planning Inc., Chicago, surveys insurance companies for rate quotations and provided the following summary of various bullet GICs for June:

- Three-year, $1 million, compound: high, 9.29%; low, 8.05%; average 8.52%.
- Three-year, $1 million, simple: high, 9.29%; low, 8.06%; average, 8.53%.
- Five-year, $1 million, compound: high, 9.32%; low, 8.08%; average, 8.63%.
- Five-year, $1 million, simple: high, 9.32%; low, 8.09%; average, 8.62%.
- Seven-year, $1 million, compound: high, 9.61%; low, 8.15%; average, 8.67%.
- Seven-year, $1 million, simple: high, 9.32%; low, 8.14%; average, 8.66%.
- Three-year, $5 million, compound: high, 9.29%; low, 8.16%; average, 8.59%.
- Three-year, $5 million, simple: high, 9.29%; low, 8.14%; average, 8.59%.
- Five-year, $5 million, compound: high, 9.32%; low, 8.14%; average, 8.67%.
- Five-year, $5 million, simple: high, 9.32%; low, 8.24%; average, 8.67%.
- Seven-year, $5 million, compound: high, 9.32%; low, 8.3%; average, 8.71%.
- Seven-year, $5 million, simple: high, 9.31%; low, 8.2%; average, 8.72%.

Dietrich & Asssociates, a GIC brokerage in Blue Bell, Pa., provided the following rate spread data between a $1 million, five-year, simple-interest GIC and the average Treasury security of the same maturity during the second quarter:

- April 3: GIC, 9.85%; Treasury, 9.53%;
- May 1: 9.65%; 9.15%; and
- June 1: 9.2%; 8.75%.

Mercer Meidinger Hansen also surveys banks for rate quotations on their guaranteed instruments. Rate quotations for one- and three-year bullet BICs for June were:

- One-year, $1 million, compound: high, 9.07%; low, 8.13%; average, 8.67%.
- One-year, $1 million, simple: high, 9.07%; low, 8.44%; average, 8.77%.
- Three-year, $1 million, compound: high, 9.11%; low, 8.12%; average, 8.64%.
- Three-year, $1 million, simple: high, 9.13%; low, 8.51%; average, 8.76%.
- One-year, $5 million, compound: high, 9.1%; low, 8.13%; average, 8.74%.
- One-year, $5 million, simple: high, 9.12%; low, 8.49%; average, 8.84%.
- Three-year, $5 million, compound: high, 9.16%; low, 8.12%; average, 8.69%.
- Three-year, $5 million, simple: high, 9.18%; low, 8.61%; average, 8.81%. ■

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THE SEQUOR GROUP

Storage Technology Corp. has shelved a refinancing plan designed to clear debt and broaden its investor base.

StorageTek puts new plan on hold

By Marlene Givant Star

LOUISVILLE, Colo. — Doldrums in high-technology stock prices have forced Storage Technology Corp. to postpone plans for an innovative $330 million triple-decker refinancing package that was intended to wipe away debt and restrictive covenants incurred when it emerged from Chapter 11 in mid-1987.

The refinancing, which was to include two public offerings and a real estate financing, also was designed to broaden the computer information storage and retrieval company's equity base and double institutional ownership of the company's stock.

As a result of withdrawal of the refinancing plan, the company incurred a $1.6 million expense for legal fees, printing fees and other costs incurred for the proposed offering. By refinancing, the company would have avoided increasing interest and sinking fund payments that were slated to begin in 1991 under the indenture. An estimated $116 million in cash flow would have been saved or deferred through 1996, according to Moody's Investors Service, New York.

Postponing the refinancing should not pose an immediate burden to the company. "It won't be too onerous to begin with. They have plenty of cash reserves, but as a permanent solution they should do something," said Byron N. Walker, assistant vice president and senior analyst of technology companies at Moody's. If stock prices of technology companies recover, Storage Technology might reinstate the refinancing, which was to have taken place in mid-July.

"Our plans are to continue to pursue that avenue but we need to wait for market conditions for our common stock to improve," said Robert Kali, director of treasury

Continued on page 32

Moving in the middle

Medium-term notes flourish

By Marcia Parker

NEW YORK — Wall Street's product pipeline is filled with huge medium-term note programs filed by a host of corporations eager to take advantage of falling interest rates, a keen investor appetite for shorter-term corporate paper substitutes and strong foreign investor demand for dollar-denominated issues.

Investment bankers said the medium-term note market experienced a sharp resurgence of activity in the second quarter. New public filings soared to a record $40.3 billion, virtually double the $20.5 billion registered in the first quarter, according to Merrill Lynch Capital Markets.

Many issuers are repeat users of medium-term notes like General Motors Acceptance Corp. and General Electric Capital Corp., both of which are reloading previous programs to meet their continuing funding needs.

The numbers do not include private placements of medium-term notes, which also are growing. Merrill Lynch is one of the biggest players in medium-term notes, but since the market started less than two years ago nearly every investment bank on Wall Street has claimed a share of the lucrative market.

The most recent filings in the pipeline include $5 billion by GMAC, $500 million by the Bank of Tokyo, $500 million by PaineWebber Inc., $500 million by Sears, Roebuck & Co., $470 million by Westinghouse Credit Corp., $450 million by Pitney Bowes Credit Corp. and $300 million by General Electric Capital.

But registrations don't mean securities are being issued. The filings are just a signal that companies will go to market when the time is right. Unlike conventional corporate debt — offered to investors on an underwritten basis in a single offering — medium-term notes are brought to market on an agency basis as market conditions and issuer need dictate.

New continuously offered medium-term note programs (issued worldwide)

	1987	1988	1989 1st qtr.	1989 2nd qtr.
Volume ($ bils.)	$48.9	$89.5	$20.5	$40.3
Average size ($ mils.)	379	428	570	600
	Distribution (% of total)			
Industrial	7.6%	16.4%	6.5%	8.1%
Non-bank finance	46.4	34.4	19.8	19.8
Utility	3.2	2.5	1.6	4.0
Agency	7.2	10.1	9.8	2.5
Thrifts	7.5	10.7	20.5	3.0
Banks	28.2	25.9	41.9	38.8
Domestic	12.3	11.6	16.6	22.2
Foreign	15.9	14.3	25.3	16.6
First-time issuers	52.5	40.1	44.2	32.4
	No. of programs			
Total	129	209	36	67
First-time issuers	80	107	17	29

Source: Merrill Lynch Capital Markets, New York

"There is a lot of paper on the shelf," said Dwight Churchill, vice president, Prudential Fixed Income Advisors, Newark, N.J., and a big buyer of medium-term notes.

The second quarter rebound in medium-term notes included a sharp increase by finance companies and banks. The two institutions combined accounted for more than 80% of the total. Underscoring the heavier use of the medium-term notes market by auto finance companies is the need to fund their aggressive loan incentive programs in effect during the quarter. Banks also relied more heavily on the medium-term note market relative to other short-term sources of funds.

The $60.6 billion of new filings in the first half of 1989 exceeded the corresponding 1988 volume by more than 30% and is on track to shatter the full-year record of $89.5 billion set in 1988, according to Robert Schwartz, vice president and senior financial economist, Merrill Lynch Capital Markets.

At the current pace, Mr. Schwartz said, the total for 1989 will more than triple the volume of new filings in 1986, when the medium-term notes market emerged as a significant source of corporate finance.

Not only have new filings increased by 30%, the average size of new programs has increased considerably this year to $590 million from $428 million in 1988. With actual issuance up by less than 5% over last year's pace, this translates into a huge buildup of unused program capacity, Mr. Schwartz said, indicating issuers are prepared to take advantage of falling interest rates.

The sharpest drop in rates has occurred in the short to intermediate segment of the curve where issuance is the heaviest.

A vacuum has been created by the scarcity of underwritten debt in this maturity range because the bulk of recent bond offerings has been in the more than 10-year sector. Institutional investors are hungry for conventional corporate debt substitutes in the short end of the yield curve. Strong foreign demand for dollar-denominated issues is propelling the growth of global programs.

A number of recent filings, in-

Continued on page 34

UPDATE

Credit quality dipping

NEW YORK — The credit quality of U.S. corporations and financial institutions declined significantly during the first half of 1989 following an increase during the first quarter, the two major credit rating agencies report.

The agencies attributed the falling credit quality to special events such as debt-financed mergers and acquisitions and weakness in real estate and high-technology industries.

Moody's Investors Service said it lowered credit ratings on 124 U.S. companies during the period, vs. 60 that were upgraded. In dollar terms, $67 billion of debt was downgraded, while $43 billion was upgraded. The special events — mainly debt-financed mergers, acquisitions, equity buybacks and leveraged buy-outs — accounted for 39 of the 76 downgrades in the industrials sector.

Standard & Poor's Corp. downgrades of $30.1 billion edged out upgrades of $27.1 billion. The changes in credit quality affected a broad cross-section of industrial issuers and spanned the entire credit quality spectrum.

Executive appointed

CHICAGO — John Cavalaris, former vice president at AT Commercial Corp. and Fidelcor Business Credit Corp. in Chicago, has been named vice president of the new First Westinghouse Capital Corp. office in Chicago.

First Westinghouse, an affiliate of Westinghouse Credit Corp., provides mezzanine debt financing and equity to middle-market businesses for expansions and acquisitions.

Mr. Cavalaris will work with investor groups, commercial and investment banks on the financing side.

He also will work with middle-market companies in industries

Evaluating event risk

NEW YORK — Standard & Poor's Corp. has initiated a new service to evaluate bondholders' protection against event risk.

S&F's event risk covenant rankings assess the degree of protection provided in the bond indenture against a sudden and dramatic decline in credit quality resulting from takeovers.

The ranking system is based solely on S&P's analysis of bond indenture provisions; no opinion of the likelihood or potential of such events occurring is implied.

The five event risk categories created by Standard & Poor's are strong protection, significant protection, some protection, weak protection and insignificant or no protection.

The focus will be on investment-grade, non-convertible bonds sold in the United States by U.S. industrial companies. The first companies have been ranked.

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UPDATE

Continued from page 31

and changing rankings as they occur.

Rankings will be expanded later to other sectors.

Conning gets exec

HARTFORD, Conn. — John C. Lang, formerly managing director in the investment banking division of Merrill Lynch Capital Markets, New York, has joined Conning & Co. as an executive vice president and director.

Mr. Lang will head Conning's corporate finance and consulting operations, which are being consolidated as the firm sharpens its emphasis on merchant banking activities.

At Merrill Lynch, he primarily provided services to the insurance industry.

Prior to joining Merrill, he was Aetna Life & Casualty's treasurer and vice president.

Merchant bank set up

NEW YORK — Two former Prudential-Bache Capital Funding executives have set up The International Harvest Group of Delaware Ltd., a New York merchant banking firm specializing in the middle market.

The principals are Eugene Wong and Richard Groberg.

Mr. Wong was a managing director and head of the high-yield securities group at Prudential-Bache Capital Funding in New York; Mr. Groberg was a vice president in the high-yield group.

To capitalize on their experience in the high-yield market, IHG will focus on subordinated debt financings in the $50 million to $200 million range, leveraged acquisitions in the $100 million to $400 million range, selected turnaround buy-outs and international advisory and cross-border merger and acquisition activity.

At Pru-Bache, Raymond Lemanski and Salvatore Cioffalo, both managing directors, were named co-heads of the high-yield securities group.

Medium-term

Continued from page 31

cluding those by GMAC and Westinghouse Credit, included substantial European tranches.

According to a new study by Moody's Investors Service Inc., New York, the market for European medium-term notes will continue to expand over the next two years. To date, Moody's has rated about 65%, or $23 billion, of the dollar-denominated market volume.

Much of the future growth, according to Moody's, will be stimulated by investor demand. The rating agency expects demand will continue to exceed the supply of highly rated paper despite international investors' continuing concerns regarding disclosure, market liquidity and credit risk, which stem from the still small market. Some of those concerns will likely ease as the available pool of European medium-term note programs grows and investment criteria are established.

Moody's also believes more issuers will be attracted to the European medium-term note market because of its perceived advantages over traditional securities.

For issuers, a major advantage is the greater flexibility in selling the issues to investors than with a conventional debt offering. Medium-term notes also can be cheaper because issuers can get lower rates in exchange for meeting the maturity requirements of certain investors.

For investors, medium-term notes offer asset-liability matching, credit diversification, liquidity and the ability to negotiate such features as size, currency denomination and coupon structure.

"For issuers and investors the product spells flexibility," said Jaclin Singer, vice president, marketing, Merrill Lynch.

Investors say that as the primary medium-term note market has grown, so has the secondary market. Trading has picked up significantly, which draws even more investors. U.S. investors include insurance companies and non-financial companies as well as money managers and pension funds.

Mr. Churchill said he has been buying medium-term notes from household-name companies such as Ford Motor Credit Corp., GMAC, E.I. du Pont de Nemours & Co. Inc., and Commonwealth Edison Co. "I use them as replacements for corporate notes. They offer the same liquidity, especially since the conventional corporate note market isn't very liquid right now. And they are offered as non-callable securities," he said.

Mr. Churchill also said he was buying up utility medium-term notes to give him exposure to that sector because there is a dearth of conventional utility paper. "That way I don't have to bid up the securities that do exist," he added.

Among foreign investors, the Japanese have recently stepped up their purchases in the two- to three-year sector, resulting in the posting of narrower spreads in this maturity range, the first narrowing of corporate spreads in the debt market in several weeks. ■

Companies feel special event sting

NEW YORK — Special events resulting mainly from corporate restructuring or litigation caused $154 billion of U.S. corporate debt in the U.S. and Eurobond markets to be downgraded an average of one letter category from 1984-1988, according to a study by Moody's Investors Service.

Moody's studied all special-event downgrades affecting U.S. companies during those years in light of the growing concern about event risk.

(Special events are mergers, acquisitions, takeovers or divestitures, capital restructuring or leveraged buy-outs. The risk that such a special event is likely to occur, thus causing immediate market-value losses and increased probability of future default losses to bondholders, is termed event risk.)

Special-event downgrades have caused serious declines in credit quality of U.S. corporations and losses to their bondholders in the past five years.

There were 284 special-event downgrades, affecting a total of 238 companies from 1984-1988, according to Moody's.

Each year since 1984, special events consistently have accounted for one-fifth to one-third of all downgrades of U.S. corporate issuers. On average, 30% of the 960 downgrades during the period were the result of special events, and 23% of the $750 billion of U.S. corporate debt downgraded was lowered because of events.

Viewed from the perspective of the total corporate market, events affected an average of 5% of U.S. issuers' outstanding rated debt annually in the U.S. and Euro- markets during the five-year period.

Most special events took place in the industrial sector.

In total, Moody's ratings on some 40% of the U.S. industrials' outstanding debt were lowered during the period because of special events.

Mergers and acquisitions were by far the most common form of special event, followed by capital restructurings and litigation.

However, only a fraction of the outstanding debt involved was lowered to speculative grade.

By contrast, leveraged buy-outs caused 8% of special-event downgradings, but nearly all the debt involved fell to speculative grade as a result.

In all, Moody's found roughly two-thirds of the debt downgraded because of special events remained investment grade.

On a worst-case basis, Moody's estimates bondholders might have suffered immediate market-value losses of up to $2.7 billion annually since 1984.

The record year was 1988. That year, the total estimated losses — including those on the RJR Nabisco Inc. debt — reached $4.3 billion. ■

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PORTFOLIO MANAGEMENT

Real estate attitudes differ greatly

Pension fund executives' attitudes toward real estate

Attitute toward increased real estate investments:	Corporate	Public
Positive	40%	56%
Negative	32	18
Indifferent	28	26
Form of real estate ownership*:		
Direct ownership	26	41
Participating mortgages, limited partnerships, etc.	12	31
Commingled funds	63	43
Preference for future real estate*:		
Direct ownership	16	49
Participating mortgages, limited partnerships, etc.	15	25
Commingled funds	74	50
Do commingled funds overcome the disadvantages of real estate?		
Yes	57	34
No	22	32
Indifferent	21	32
Attractive features:*		
Income	30	35
Appreciation in value	42	66
Inflation protection	55	62
Diversification	80	79
Unattractive features:*		
Lack of liquidity	64	47
High risk	13	21
Special investment skills required	23	44
Property management requirements	12	37
Valuation/appraisal difficulties	51	50
No benefit from tax preferences	14	24

* May not total 100% because respondents could select more than one item.

By Clarence C. Elebash and Gregory C. Yost

Although real estate is a major portion of the nation's wealth, pension funds are not heavily committed to the ownership of real property.

Roughly 50% of the nation's assets are in real estate. Yet pension funds, a major source of long-term investment capital, have invested in aggregate less than 5% of their total assets to the investment class.

It remains to be seen if an almost token commitment to equity real estate by corporate and public pension funds will grow. The question arises as to the future of pension funds in real estate.

To find out the extent of pension fund participation and pension fund management's attitudes toward real estate equity, we surveyed executives and officials of both corporate and public pension funds.

For corporate funds, we sent surveys to executives at more than 514 large companies. We received responses from 327, or 64%, representing $350 billion in pension assets.

For public funds, we sent surveys to officials at 83 state and other public organizations. We received responses from 68, or 82%, from 44 states, representing $390 million in pension assets.

The replies provide the basis for the ensuing analysis and conclusions.

In sum, we found differing attitudes between corporate pension executives and public pension officers.

Corporate pension executives invest a higher percentage of their assets in real estate, 5.2%, compared with 3.4% for public funds. But the lead in terms of allocation could change.

Corporate pension executives are less inclined to add to their real estate investments than their public counterparts. Corporate executives are concerned about certain unattractive features, such a lack of liquidity and difficulties with valuations and appraisals. The lack of a tax benefit from depreciation, however, is not a major concern, apparently overcome by the structure of real estate deals with taxable investors. Corporate executives also have a stronger preference for commingled funds.

The overall conclusion is that corporate pension plans will increase their real estate investments at a modest pace. Diversification among asset classes is the most appealing feature of real estate investing. The use of commingled funds simplifies the real estate investment task, and their popularity will continue.

Of the corporate respondents, 285, or 87%, had policy statements authorizing real estate investments, and 232, or 71%, owned real estate. The average percentage invested in real estate equity of the funds that owned real estate was 5.2% of total assets, which was consistent with expectations. In dollar terms they held $18.2 billion, a small amount compared with the total value of U.S. real estate.

Clarence C. Elebash, left, is professor of finance, and Gregory C. Yost is associate professor of accounting and chairman of the department of finance and accounting, at the University of West Florida in Pensacola.

Of the public respondents, 65, or 79%, had policy statements authorizing real estate investments, and 52, or 63%, owned real estate. The average percentage invested in real estate equity of the funds that owned real estate is 3.4%, or $13.5 billion.

Diversification is the most attractive feature of real estate, the surveys found. Respondents also gave favorable ratings to income, potential appreciation and the inflation protection. Neither risk nor the lack of tax preferences is considered a serious difficulty, and special management expertise also does not appear to be a seri-

Continued on page 36

Reaping profits from the earth

Farmland a slow but sure winner

By Barton M. Biggs

American farmland is the best real estate investment at this time. In fact, the case is so compelling that, in my opinion, farmland competes with stocks and bonds.

Buy a farm and you may get rich slowly but more surely.

Vehicles for institutional investment in farmland are becoming available, and farmland investing could become a new asset category. I recommend that farmland be a major part of every real estate allocation.

As for other forms of real estate, I believe that over the next five to 10 years financial assets will outperform real estate. However, prudent diversification requires that every large portfolio have representation in real estate, and currently I am suggesting that its weighting be at the bottom end of my recommended 5% to 30% asset allocation range.

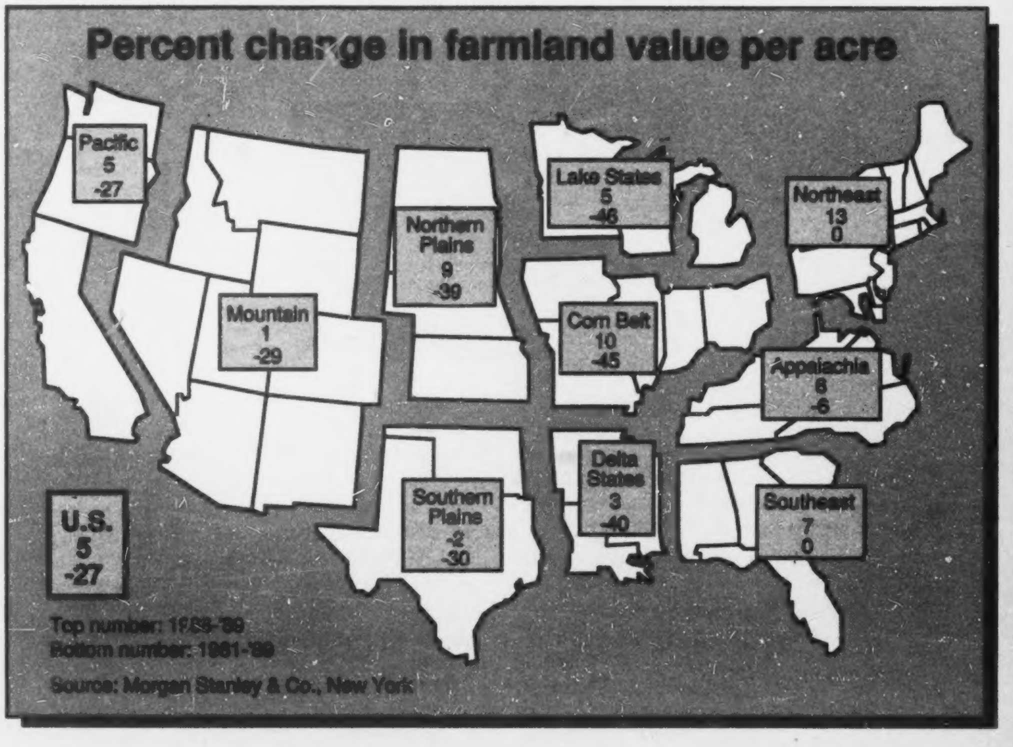
I don't pretend to know much about real estate, but I am influenced by what I hear from people like Laurence A. Tisch, chairman and chief executive officer of Loews Corp. and president and chief executive officer of CBS Inc., both of New York, and Samuel Zell, chairman, Equity Financial and Management Co., Chicago. I also recently read a

Generalizations in such a large and diverse industry are dangerous. And real estate, of course, is a matter of location and specific markets. But in general the commercial real estate market does not look attractive, with the possible exception of industrial space. Overbuilding and bad lending practices are the problems, and it may take a long time to cure them.

I have studied with considerable interest the investment possibilities of timberland, as some data suggest the returns have been good. However, Thomas P. Clephane, managing director and a colleague at Morgan Stanley, has convinced me timberland does not generate competitive cash returns or much appreciation unless you get very lucky. Prices of residential real estate are still rising at about a 5% rate nationally, but there are vast regional differences. Besides, there is no really good institutional vehicle for equity participation.

But farmland is compelling. I believe the bear market in farmland is over and an upsurge that will last for years is just beginning.

Although the yield on farmland today at about 6% to 7% does not equal that on government bonds, they aren't making any more farmland, and Washington does



Percent change in farmland value per acre

Top number: 1988-'89

Bottom number: 1981-'89

Source: Morgan Stanley & Co., New York

asset category my colleagues and I follow that shows an actual decline in price for the 1980s. Recently, however, this bear market seems to have ended.

According to the Department of Agriculture, the recovery in farmland values that began about 18 months ago continued in the fiscal year ended Feb. 28, 1989. The per acre price rose 6% to $597 but is well under the high of $823

47% below the 1980 level.

I reiterate, however, that price trends are very different, depending on location. For the country as a whole, farmland value per acre for the year ended Feb. 28 was up 5%. But from its peak in 1981 to February 1989, it's down 27%.

Farmland values have increased for several reasons. Farmers' net cash income, despite the drought, nearly matched the record 1987

values was unchanged or slightly lower for most states, except in the West, where rents increased on crop land.

Furthermore, farm real estate debt kept falling and is now down 27% from the 1983 peak. The ratios of debt to equity and to net cash income declined in fiscal 1989, indicating an increase in the financial ability of some producers to buy land.

WASHINGTON

Restrictions on thrift plan mulled

A Democratic congressman pressed officials of the $3.9 billion Federal Retirement Thrift Investment Board to consider restricting investments in securities of companies that do business in South Africa and Northern Ireland.

Rep. Gary L. Ackerman, D-N.Y., chairman of the House Committee on Post Office and Civil Service subcommittee on compensation and employee benefits, asked whether limiting investments in such securities would pose difficulties for the 2-year-old fund.

The fund, which has 1.4 million participants, is growing at an $8 million a day clip, and is expected to reach $50 billion in assets by the year 2000.

Specifically, Mr. Ackerman referred to companies doing business in South Africa or those operating in Northern Ireland that do not subscribe to the equal employment guidelines of the MacBride Principles.

Francis X. Cavanaugh, executive director of the board, noted investment restrictions have been suggested to the fund since "day one."

He added that participants already had been informed of their options, so changing the rules now would not be fair to them. Also, he said, construction of a special portfolio would increase expenses to the fund.

Under the law, the fund provides three investment options: a short-term government securities fund; a Standard & Poor's 500 Stock Index Fund; and a bond index fund that tracks the Shearson Lehman Hutton Government/Corporate Bond Index.

No one discussed, however, the possibility of adding investment options.

Otherwise, legislators and witnesses at the July 25 hearing favored enactment of bipartisan legislation that would remove restrictions on investments in the stock and bond funds, as well as allow federal agencies to pay lost earnings to employees' accounts because of administrative errors made by their agencies.

Lifting investment restrictions could cause a surge of investments in the stock and bond funds, as well as increased fee income for Wells Fargo Investment Advisors, San Francisco, which manages those assets in pooled vehicles. (The government securities fund is internally managed.) Currently, the stock fund has only $27 million in assets; the bond fund has $11 million.

Federal law limits federal employees to investing up to 20% of their thrift-fund contributions in the stock and bond funds, increasing an additional 20 percentage points each year through 1992. Employer matching contributions have to be invested in the government securities fund until restrictions are phased out between 1993 and 1997.

The investment restrictions originally were put in place to avoid fluctuations in value from affecting the federal budget, but the Congress put the thrift fund off-budget last year.

The bill, H.R. 2514, is considered noncontroversial and is expected to be voted on in September.

Farewell serenade

Pension Benefit Guaranty Corp. employees bid a songful farewell to departing Executive Director Kathleen Utgoff and Deputy Executive Director Royal Dellinger.

In a tribute to their toils over returning three underfunded pensions plans to The LTV Corp., Dallas, a choir of PBGC attorneys sang "Restoration" to the tune of Handel's Hallelujah chorus.

"And we will litigate forever and ever," was perhaps the most revealing line in the song.

PBGC employees presented Ms. Utgoff with a new tennis racket and Mr. Dellinger a golf club — neither of which, it was pointed out, was made with steel.

Ms. Utgoff, who left the agency at the end of July, will join the law firm of Groom and Nordberg after Labor Day as an economist. She will perform various economic and policy analyses on insurance, tax and benefits issues.

Mr. Dellinger will stay on at the PBGC past his July 31 resignation date to ease the transition into the new administration. His future plans are undetermined.

Index support grows

Indexed government bonds would be studied by the Treasury Department in a provision tucked away in the House Education and Labor Committee bill.

Long advocated by former pension watchdog Robert A.G. Monks as a way to both ensure real rates of return to pension funds and finance the federal budget deficit, the idea apparently has gained support in the House labor panel.

The provision would require the Treasury Department to report by the end of 1990 on what changes would be needed to permit the federal government to issue bonds indexed to inflation, the demand for such bonds among private pension plans and individual retirement accounts, and what effect such bonds would have on financial markets and the federal budget.

Meanwhile, Sen. Tom Harkin, D-Iowa, sponsored an amendment to the Senate Labor and Human Resources Committee's budget bill that would require the General Accounting Office to study to what extent employers with fewer than 25 employees terminate their pension plans and recapture surplus assets. The study also would be due by the end of 1990. ■

Farmland sure

Continued from page 35

anese bought a lot of American farmland. In fact, half of all the 218,000 acres farmland they own in the United States was purchased last year.

Foreigners own 12.5 million acres, or 1% of the farmland in the United States. Investors from the United Kingdom and Canada are the biggest foreign holders, owning, respectively, 2.8 million acres and 2.5 million acres, or together 42% of all the acreage owned by foreigners.

The total acreage owned by all foreigners is down from the 16 million acres they owned at the peak of the farmland bull market when prime acreage sold at 25 to 35 times earnings. There was hostility then toward overseas investment, but some states like Iowa and California now have actually taken steps to make it easier for foreigners to control land.

As a straw in the wind, the Federal Reserve Bank of Chicago, in its May letter, reports that farmland values in its district are rising at a 10% year-over-year rate, with the pace quickening in the most recent quarter. This may be significant because the district, which incorporates Illinois, Indiana, Iowa, Michigan and Wisconsin, is the blue chip farm heart land of America. But it is still heterogeneous. In the last year, Iowa land prices are up 15% on average, but Wisconsin acres have risen a mere 1%.

Midwestern farmland is the best grain-growing acreage in the world, and America is by far the lowest cost agricultural producer in the world.

U.S. agriculture looks in good shape at this point, although as always, weather and moisture are uncertain. In grains, the stocks-to-use ratio is back to the same level that, in 1972, resulted in one of the greatest U.S. grain years of all time.

A recent survey showed 75% of all farm equipment dealers expect higher sales, and there is every indication that the farmer's confidence and financial condition are improving. Deere & Co., based in Moline, Ill., has reported huge gains both year over year and sequentially in sales of tractors and combines. ■

This article is excerpted with minor adaption from an anclysis by Barton M. Biggs, chairman of Morgan Stanley Asset Management Inc., New York, and managing director of it parent company, Morgan Stanley & Co.

Real estate attitudes

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ous problem.

Commingled funds are by far the most popular form of investment by corporate funds, accounting for 63% of the real estate assets.

As of early this year, 63% of the corporate respondents have a position in commingled real estate funds, and 74% prefer the commingled funds for future investments. A majority of corporate executives also believe commingled funds overcome the disadvantages of real estate equity.

Of their $18.2 billion in real estate, corporate funds allocated $11.3 billion to commingled funds, $4.8 billion to direct ownership and $2.1 billion to participating mortgages, limited partnerships and other types of equity investments.

Of the $13.4 billion total in real estate held by public funds, $3.8 billion was allocated to commingled funds, $3.9 billion to direct ownership and $5.8 billion to participating mortgages, limited partnerships and other types of

Corporate and public funds differ in their attitudes toward unattractive features of real estate. Corporate plans worry more about liquidity and are less concerned about the special investment and management skills required for real estate.

Because corporate and public pension officials operate in different environments, this could account for their differences on real estate equity. Corporate officers are less constrained by experience and political events. They have stronger financial backgrounds, and have more flexibility under the Employee Retirement Income Security Act of 1974 than do many public plans under the state laws.

A serious concern about the lack of liquidity, however, apparently is dampening corporate enthusiasm for additional real estate. State pension trustees, on the other hand, are more conservative and less venturesome than their private firm opposites, in part because state plans function in the political arena and private plans

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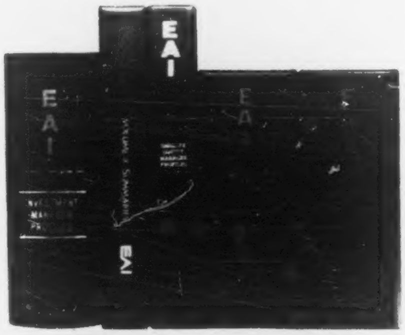

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Election results fuel Tokyo market

Yet analysts remain leery of long term

By Margaret Price

TOKYO — After the stunning July 23 elections in the upper house of Japan's Diet, followed by the resignation announcement of Prime Minister Sousuke Uno, the Tokyo stock market suddenly surged higher. Analysts cited widespread relief by investors, especially in Japan, that the election was over.

Many international money managers, however, still are not wildly impressed. Despite the market's sudden ebullience — said to be linked to heavy buying by cash-rich Japanese institutions — some investment managers are worrying about the effects of the next election, coming probably early next year, in the more powerful lower house of parliament.

Managers had already seen how destructive recent political scandals had been on the Tokyo market. While the Nikkei 225 Stock Index advanced 9% in local currency terms for the first six months of this year, the Japanese component of the Morgan Stanley Capital International Europe Australia Far East Index rose 1.9% in local currency terms, and fell 11.4% in U.S. dollar terms.

Analysts said Japan's political problems this year — such as the Recruit Cosmos scandal — were a major depressant on the country's stock market.

Some investors — such as SBC Portfolio Management International Inc., New York — already are thinking ahead to the next elections, which should determine whether the Liberal Democratic Party can remain in control.

"We think the Japanese market will do well for the short-term," said Hanspeter Ackermann, SBC's chief strategist, citing an oft-heard view among money managers.

But by the fourth quarter, he and many others expect renewed uncertainty about the election outcome to again dampen investors' enthusiasm.

SBC's strategy reflects that outlook. Mr. Ackermann said his firm

Continued on page 38

Top 50 managers of global accounts

Firm	$ million
1. Templeton Int'l	2,249
2. Batterymarch	1,161
3. TCW Global	1,012
4. WorldInvest	922
5. PCM Int'l	903
6. Dimensional Fund	885
7. First Chicago	778
8. Warburg Investment	708
9. Discount Corp./N.Y.	650
10. State Street Bank	431
11. Fiduciary Trust*	410
12. Kemper-Murray	398
13. Rowe Price-Fleming	306
14. Capital Guardian	302
15. Capital Research	262
16. Beutel, Goodman Int'l	255
17. County NatWest*	252
18. Philippe Investment	211
19. Lexington Mgmt.	210
20. Fidelity Int'l	200
21. Mercator Asset*	200
22. Roll and Ross	200
23. INVESCO MIM	198
24. Posthorn Global	193
25. J.P. Morgan	184
26. Burgess Capital	175
27. Massachusetts Financial	175
28. N.M. Rothschild	144
29. Bankers Trust	141
30. Morgan Grenfell Investment	141
31. Martin Currie	134
32. Globe Finlay	127
33. Van Eck Associates	125
34. IDS Int'l	112
35. Nikko Capital	104
36. Schroder Capital	100
37. Seaboard Investment	100
38. Scudder, Stevens & Clark	93
39. Grantham, Mayo, Van Otterloo	75
40. Marvin & Palmer	75
41. Brandes Investment	70
42. Smith Barney Global	66
43. Lombard Odier Int'l	62
44. Lazard Freres	58
45. Julius Baer	51
46. Interinvest	50
47. Citicorp	36
48. Putnam	31
49. Credit Suisse	30
50. Capital Mgmt. Int'l	29
Total	15,784

* as of Dec. 31, 1988
Ranking is based on U.S. institutional, discretionary, tax-exempt assets managed as of March 31.

Top 50 managers of international accounts

Firm	$ million
1. State Street Bank	5,153
2. Capital Guardian	3,153
3. Baring Int'l	2,383
4. J.P. Morgan	2,265
5. Morgan Grenfell Investment	2,263
6. GE Investments	2,174
7. First Chicago	2,155
8. Grantham, Mayo, Van Otterloo	2,036
9. Wells Fargo	1,954
10. Rowe Price-Fleming	1,809
11. Schroder Capital	1,800
12. Nomura Capital	1,517
13. Batterymarch	1,391
14. Chase Investors	1,217
15. Oechsle Int'l	1,084
16. N.M. Rothschild	827
17. Warburg Investment	825
18. Fidelity Int'l	800
19. Boston Int'l	798
20. Alliance Capital	786
21. Bankers Trust	781
22. WorldInvest	726
23. Scudder, Stevens & Clark	698
24. Mellon-Pictet	580
25. Julius Baer	572
26. Brown Brothers Harriman*	515
27. Posthorn Global	515
28. IDS Int'l	512
29. Mercator Asset*	500
30. Daiwa Int'l	482
31. Arnhold/Bleichroeder	480
32. Hill Samuel/Investment	389
33. G.T. Capital	388
34. Wellington Mgmt.	330
35. SBC Portfolio	328
36. PCM Int'l	314
37. Citicorp	302
38. Nikko Capital	276
39. ANB Investment	275
40. Capital Mgmt. Int'l	268
41. Investment Index	261
42. Aetna Capital	227
43. Boston Co.	224
44. Travelers	221
45. Marsh & Cunningham/Castegren	207
46. Globe Finlay	203
47. Walter Scott	200
48. Kleinwort Benson	194
49. Dunedin Fund	190
50. Lombard Odier Int'l	186
Total	47,734

* as of Dec. 31, 1988
Ranking is based on U.S. institutional, discretionary, tax-exempt assets managed as of March 31.

In the June 26 issue, the list of the Top 50 money managers by global account and international account assets was taken from universe of the Top 50 managers ranked by combined international/global assets. The charts above reflect the top managers by each type of account, drawn from the total universe of respondents.

LBOs take global tilt

Schroder amasses $1 billion from investors

By Marlene Givant Star

LONDON — Capitalizing on the appetite for substantial returns in Europe, Schroder Ventures has raised more than $1 billion for investments in country-specific leveraged buy-out funds.

Institutional investors worldwide, including the $2.6 billion Massachusetts Pension Reserves Investment Management Board, Boston; reportedly Strategic Investment Partners, Washington, on behalf of the World Bank pension fund, Washington; G.T. Venture Management, London, a investments; and several other large pension funds and insurance companies, have invested in Schroder's leveraged buy-out funds, which span Europe, the United Kingdom and Canada.

Schroder might launch a European fund alongside its country funds as it expands its U.S. pension fund client base, and it plans to launch a West German management buy-out fund before next year. Schroder, believed to be the biggest leveraged buy-out fund manager in Europe, has bought more than 50 companies there.

Europeans refer to leveraged buy-outs as management buy-ment of existing management, which would be called a management buy-in.

Many investors already are seeing the fruits of their investments. In May 1987, Schroder was the lead investor in a $52 million (100 million deutsche mark) deal for Ex-Cell-O, a machine tool manufacturer and a former subsidiary of U.S.-based Textron Inc. — what was then the largest management buy-out of a West German company.

In the past few weeks, Ex-Cell-O became the first company to be listed on the Frankfurt and Stuttgart exchanges after a man-gest new issue in West Germany this year, with nearly $56 million of shares placed with investors.

"We succeeded in paying back 75% of the acquisition debt in two years, so the profit was very high," said Dirk Brandis, a portfolio manager of Schroder's German fund, which recently invested in such diverse companies as Rohe GmbH, which produces car wash systems, and Heingericke GmbH, a motorcycle accessories retailer.

But deals like Ex-Cell-O and the proposed $3 billion Gateway Corp. buy-out don't signal the start of a U.S.-style leveraged buy-out boom, according to Nick Ferguson, chairman of Schroder Ventures. European leveraged buy-out activity and the market for mezzanine debt still are in their infancy, especially in West Germany and Italy.

"Banks are far more aggressive ancing than mezzanine lenders and doing more of the debt, especially on smaller deals," he said.

In 1988, international buy-out funds run by such players as Baring International Investment Ltd. and Charterhouse Bank, both in London, and Matuschka Moser Partners, Greenwich, Conn., raised more than $3 billion (*Pensions & Investment Age*, May 29).

The newness of European leveraged buy-out markets raises the potential for high returns, according to many institutional investors.

"LBO opportunities overseas are better than they are here currently," said Dan Kelly, deputy director and general counsel of the PRIM, which is increasing foreign private investments as it boosts international stock and bond investments. In March, the fund committed $20 million to a U.K. leveraged buy-out fund of

MONEY MOVERS

HealthTrust Inc.

NASHVILLE, Tenn. — HealthTrust Inc. has hired three fixed-income and three equity managers for its $120 million pension fund, said Glenn Davis, assistant treasurer.

The money comes from a distribution of pension assets from Hospital Corp. of America. Nashville HealthTrust bought 104 HCA hospitals last year, sold 10 and kept 94.

To manage $26 million each in fixed income, it hired Sovran Capital Management, Richmond, Va.; Wells Fargo Bank's asset management division, San Francisco; and Dana Investment Advisors, Milwaukee. All are active managers and have a bias toward adding value through credit research and sector selection, rather than interest rate anticipation, Mr. Davis said. He noted the Wells Fargo division is separate and distinct from its index fund management affiliate, Wells Fargo Investment Advisors.

To handle $11 million each in equities, it hired Fisher Investments Inc., Woodside, Calif.; GAMCO Investors Inc., New York; and Sun Bank Capital Management, Orlando, Fla. All are active and value-oriented, Mr. Davis said.

Performance Analytics Inc., Chicago, assisted in the search, he said.

Bundy Corp.

WARREN, Mich. — The $64 million Bundy Corp. pension fund hired two managers and increased the allocation to another, said Rodney Morris, internal audit manager.

The fund hired Jennison Associates Capital Corp., New York, to manage $27 million, and Dillon, Read Capital Inc., New York, to run $20 million, both in balanced accounts, Mr. Morris said.

It also increased the allocation to equity manager GAMCO Investors Inc., New York, to $17 million from $8.5 million.

Mr. Morris declined to identify managers terminated by the fund. The 1989 Money Market Directory lists National Investment Services of America Inc., Milwaukee, and Weiss, Peck & Greer, New York, along with GAMCO, as managers for the fund.

Wyatt Asset Services, Chicago, assisted in the search.

Illinois State Board

CHICAGO — The $3 billion Illinois State Board of Investment has selected five managers to manage $250 million in international/global investments.

Hired to manage $50 million each in global equity mandates were Cursitor-Eaton Asset Management, London; First Chicago Investment Advisors, Chicago; and Globe Finlay Inc., New York, according to Gregory Nagle, executive director.

Hired to manage $50 million each in international equity accounts were Acadian Asset Management Inc., Boston, and Hill Samuel Investment Advisers Ltd., London.

Mr. Nagel said when the new accounts are fully invested, expected by year end, the board will approximate its 10% international/global target.

Mr. Nagel said the allocations will be funded through a 60% reduction in funds earmarked for internally managed domestic equities, which will leave that portfolio around $180 million.

University of Missouri

COLUMBIA, Mo. — The $630 million University of Missouri pension fund hired three equity managers and dismissed two, moving about $126 million, said Donald S. Holm, treasurer.

Dividing the $126 million equally will be new managers Eagle Asset Management, St. Petersburg, Fla.; Sun Bank Capital Management, Orlando, Fla.; and GAMCO Investors Inc., New York.

The fund dismissed The Putnam Cos. Inc., Boston, which had managed about $97 million, and Brignoli, Curley & Roberts Associates, New York, which had run about $29 million.

Putnam was terminated because the fund had become somewhat overweighted in large-cap and growth stocks, Mr. Holm said. It continues to use Alliance Capital Management L.P., New York, to manage $47 million in a large-cap growth style, he said. Brignoli, Curley & Roberts was dismissed because its performance was disappointing, he said.

Wellesley Group Inc., Waltham, Mass., assisted in the move, Mr. Holm said.

Results fuel

Continued from page 37

currently has about 36% of its international assets invested in Japan. That's below SBC's year-end 1988 level of about 50%, but slightly above the year's low so far of 33%. Just before the recent parliamentary elections, "we started building up our Japanese holdings again," said Mr. Ackermann. He noted SBC's exposure to Japan could dip even further by the end of the year.

Some other money managers fail to be inspired by the Tokyo market's current rise.

Nicholas D.P. Carn, investment director of CIGNA International Investment Advisors Ltd., London, said his firm has no exposure to the Japanese market, but politics isn't the compelling reason.

CIGNA began trimming its Japanese exposure as early as May 1987 on the perception that "the virtuous circle" underpinning the Japan market — of high money growth, rising exchange rates and falling commodity prices — was becoming middle-aged, said Mr. Carn. "Rather than have it die of old age, we thought we'd disinvest," he added. By last summer, CIGNA had sold all its Japanese stocks.

Mr. Carn sees little reason to re-enter the Tokyo market and politics do come into play here.

In Mr. Carn's view, the changing political and economic climate, along with increasing competition in the country's financial services industry, could lessen consensus practices related to the Tokyo market.

Colin Bradbury, fund manager for Far East portfolios at Kleinwort Benson International Investment Ltd., London, believes fundamentals make a more pressing case than politics for playing Tokyo cautiously. This year, his firm has lowered its Japan exposure for its world-minus-the U.S. portfolios to about 30% from about 45% at the beginning of the year.

Early in the year — even before Japan's political scandals exploded — his firm noticed the yen seemed to have bottomed out against the dollar. In addition, rising inflation — Japan's consumer price index is running at 2.9% on an annualized basis compared with only 0.7% in 1988 — and rising interest rates have spilled over to the stock market.

Despite a recent rally in the Japanese bond market, he foresees a "further small rise in inflation" — meaning "interest rates will still be under pressure, which is not favorable for that stock market." For the rest of this year, "I don't anticipate more than another 5% rise" in the Nikkei index, he said.

But some analysts and investors — although aware of the current political clouds in Japan — also see opportunity now in the Tokyo market.

In June, following technical sell recommendations for Japan, PCM International, Newark, N.J., reduced exposures in that market to as low as the low 20% range for its most aggressive accounts, from between 35% to 40%. It's now in the mid-20% range and "might drift higher as we cherry-pick among attractive companies," said Cassandra A. Hardman, director and senior portfolio manager at PCM.

She and others believe the results of Japan's recent elections help illuminate which stocks to pick. Taking a cue from the victory in the upper house of the Socialist Party, which supports such issues as dropping the new 3% sales tax, some observers believe consumer issues and consumer-type stocks will be gaining favor.

Ms. Hardman, for instance, cited both the retail and housing sectors in Japan as those with "cheap, interesting stocks." In the retail sector, specific stocks she likes include **Takashimaya** and **Joshin Denki**; and in the housing sector, she cited **Sanwa Shutter** and **Sekisui Chemical**.

Not surprisingly, Japanese firms were bullish on the Japanese market. In late June, Nicholas Reitenbach, senior vice president and global portfolio strategist at Yamaichi International (America) Inc., New York, forecasted another 10% rise in the Nikkei 225 by the end of the year.

"We feel the Japanese market is in a clear uptrend, and that one runs a risk by not having adequate representation in Japan," he said. He is recommending a 50% to 60% weighting for international portfolios and 35% to 40% for global stock portfolios.

Mr. Reitenbach recognizes that many money managers' Japanese weightings aren't that high. For example, he cited Frank Russell Co. research showing that, as of March 31, the median Japan weighting of 98 international managers was 39.9%, and the average was 38.1%, compared with the EAFE weighting of 63.7% then.

Seiki Hishikawa, senior vice president for Japanese equity sales at Nikko Securities Co. International Inc., New York, predicts continued strength in the Japanese market at least through August.

Beyond that, the market's performance will depend on when investors start "to focus on the next election," he said. Once elections again take center stage, "the market could become a little mixed." But between the end of July and yearend, the Nikkei index should rise another 10%, he predicted.

Given the recent victory by the Socialist Party, "we changed our stance to some extent to overweight social stocks" in Japan, said Mr. Hishikawa. Some recommended issues: in the insurance category, **Tokio Marine & Fire** and **Koa Fire & Marine**; in housing, **National House** and **Misawa Homes**; and in pharmaceuticals, **Takeda** and **Taisho**. ■

Global LBOs

Continued from page 37

Alan Patricof Associates, New York, and $10 million to Schroder's $266 million Buy-Out Fund II.

Europe has not seen the corporate governance action that has prompted many U.S. states to limit the ability to take over companies, Mr. Kelly said. Plus, European buy-out activity should get a boost from upcoming post-1992 lifting of trade barriers, he said.

"We'd be very happy with returns in the 25% range" compound annualized, Mr. Kelly said.

G.T. Venture Management, which acts as a manager of managers on behalf of such clients as the U.K. pension fund of IBM Corp., invests in Schroder buy-out funds in West Germany, Italy and the United Kingdom, as well as in its international venture capital funds. Schroder's country funds allow G.T. to retain responsibility for the country allocation decision.

G.T. officials, who run $200 million worldwide, admire the expertise of Jon Moulton, managing partner of Schroder Venture Advisers in the United Kingdom and formerly general manager of Citicorp's venture capital operation in London. G.T. also likes that Schroder provides incentives to its portfolio managers by allowing them an equity stake in deals. "There's confidence that the people who put the deals together will remain to see them through," said Rhoddy Swire, managing director.

Schroder professionals also have operations backgrounds, so they can add value to businesses rather than break them apart through asset sell-offs, he said.

Schroder has 230 investors; 50 of them contributed 80% of the firm's capital. One-third are U.S. pension funds and insurance companies including the Equitable Life Assurance Society of the U.S., New York, and The Travelers Corp., Hartford, Conn. The rest are mainly European institutions, such as Postel Investment Management, the London-based manager of the British Post Office pension fund.

Because leveraged buy-out activity is growing in Europe at varying rates, the firm's country-by-country fund format makes business sense. The format also appeals to some British pension funds that choose to invest domestically.

Schroder has specialists based in each country to understand market nuances such as exit strategies. In the United Kingdom, the dominant seller of a company is another company. But on the Continent, the dominant sellers are families, making transactions emotional decisions. In France and the United Kingdom, which have large stock markets, sales of companies can be made publicly. But in Italy, which has a small stock market, most company sales are private.

Laws of acquisition and deal-making, tax regulations on the purchase of a company and the mix of lenders also differ by country. The United Kingdom has a global mix of lenders while West Germany has mostly local lenders; French lenders are mainly French banks.

But the financing of deals differs little among countries. Deals are typically less leveraged than U.S. transactions because Schroder deals are midsize — between $100 million and $150 million — which limits the scope for asset sales to finance mezzanine debt. The degree of leverage that could be assumed in a West German deal is higher than in the United Kingdom, where interest rates are twice as high.

Hostile bids are rare in Europe, largely because of the structure of markets. For instance, Italy has only 600 quoted companies with 90% of shares held by controlling shareholders.

Even in the larger U.K. market, pension fund managers don't immediately sell to arbitrageurs; they're quite loyal to management, deterring hostile bids, Mr. Ferguson said. ■

Using whole world gives firms upper hand

NEW YORK — Preliminary figures from the World Markets Co. PLC indicate managers were better off investing in global mandates than non-U.S. international portfolios in the second quarter.

According to the figures, the median portfolio of managers investing in non-U.S. international equities returned −0.6% for the second quarter, compared with a

Although the non-U.S. international portfolio performance was negative for the second quarter, it compared favorably with the well-known international benchmarks, the Morgan Stanley Capital International Europe Australia Far East Index and the FT-Actuaries Euro-Pacific Index. EAFE returned returned −6.12% for the quarter, while the FT-A index re-

vestments' Performance Evaluation Report.

The preliminary figures were drawn from about half of the 114 eligible non-U.S. portfolios and 14 of 24 global portfolios queried by World Markets.

The median of global portfolios compared favorably with the MSCI World and the FT-A World indexes, which returned −1.26%

"Strong demand for dollar assets, particularly from cash-laden Japanese institutions, helped send the dollar soaring despite vigorous attempts to hold it down by the world's central banks," according to the World Markets' Flash Report.

It was the second consecutive quarter in which the median portfolio outperformed the interna-

portfolio returned 2.1%, while EAFE returned −5.8% and the FT-A Euro-Pacific Index returned −6.07%.

"As in the last quarter, returns from Japan were below the overall EAFE results and portfolios benefited considerably from their low relative exposure to this market," the report said. It added that as managers' exposure to Japan

Wall St. firms' earnings slip

By Marlene Givant Star

Large investment banks ended the first half of 1989 with slight declines in earnings, but a drop in short-term interest rates and long-term Treasury rates could boost financing volume.

Earnings for the first six months of the year declined from the year-earlier period for all the large houses except PaineWebber Inc., but second-quarter earnings were "pretty good for all the firms," with most gains coming from bond trading profits, said John Keefe, vice president of Drexel Burnham Lambert Inc.

Underwriting activity has been fairly slow, particularly in equities, since the stock market crash of 1987. But lower long-term rates could reinvigorate financing activity -- and investment banking business — as the year progresses, Mr. Keefe said. Long-term Treasury rates recently fell below 8% for the first time in years.

For the six months ended June 30, Salomon Brothers Inc.'s net income was $225 million, or $1.54 a share, modestly below the $253 million or $1.68 per share level of the first half of 1988. But Salomon's earnings surged to a record $253 million in the second quarter, or $1.89 per share, largely because of gains in bond trading — the same discipline that depressed the firm's first-quarter results.

PaineWebber's first-half earnings improved to $24.266 million or 44 cents a share in the first half vs. $20.920 million or 27 cents a share in 1988's first six months. Expansion of the retail customer asset base accounted for the increase.

Merrill Lynch & Co., which has maintained its top underwriting market share, also was helped by the slight rise in retail activity in the second quarter, though its first-half earnings declined to $107.4 million from $121.7 million for the first half of 1988.

Morgan Stanley & Co. Inc.'s first-half earnings slipped 17% to $193.3 million from $233.9 million, while Shearson Lehman Hutton Inc.'s first-half net income fell 65% to $40 million from $113 million a year earlier, reflecting the $35.2 million pre-tax write-down of MCorp Securities in the first quarter.

Bear Stearns & Co., which ended its fourth quarter and fiscal year June 30, reported net income for the quarter of $47.6 million or 50 cents per share, an increase of 129% from fourth-quarter fiscal 1988 results of $20.8 million or 19 cents a share. Net income for the fiscal year ended June 30 was $172.4 million or $1.78 per share vs. $100.7 million or 96 cents per share. Per share amounts reflect a 5% stock dividend that will be distributed Aug. 31.

PaineWebber, the only other firm to post a gain for the first half, saw a decline in its investment banking revenue on a year-on-year basis because of fewer and smaller closed-end fund offerings, but commission revenue jumped almost 17% to $174 million in the second quarter from $149 million in the first.

Insurance commissions were the strongest contributors. While variable costs rose in the quarter, semi-fixed and fixed costs fell roughly 5% or $11.5 million from 1988's second quarter.

"PaineWebber appears to be effectively cutting and controlling costs which is needed if margins and ROE objectives are to be met," said a report by Dean Eberling, an analyst at Shearson Lehman Hutton, New York, who is recommending the firm's stock for accounts with investment horizons of one to two years.

PaineWebber has programs in place to repurchase up to 3 million shares of its outstanding $1.375 convertible exchangeable preferred stock and up to 5 million shares of its outstanding common stock, depending on market conditions. The firm previously repurchased more than 2 million shares of the convertibles and almost 3.7 million shares of its common stock.

For the six months ended June 30, Salomon Brothers, the second quarter's earnings leader, posted strong gains in its securities business. The area contributed $295 million to consolidated pre-tax earnings of $381 million and "second-quarter results reflect not only the industrywide improvement in volume in U.S. bond and equity markets, but profits across virtually all the firm's product lines," according to Salomon's quarterly earnings statement.

For Morgan Stanley, a 29.3% increase in trading, largely for its own account, and reduced compensation and benefits as a percentage of revenue from operations improved profits year to year. But the firm's second-quarter gains from re-leveraging Essex Group Inc. and the Silgan Corp., two merchant banking investments, were 2.5 times less than the firm's 1988 gain from the sale of Cain Chemical Inc., according to a report by Charlie Rose and Michael Bunyaner, analysts at Oppenheimer & Co. Inc., New York. They believe the firm's stock "will not have investment appeal until the core brokerage business cycle turns."

Merrill maintained its newly earned capital markets status and expanded its consumer revenue in the first half. The underwriting market share for all domestic issues rose to 17.7% during the first half compared with 15% in the prior year period, and Merrill increased its market share of worldwide offerings to 10.2% from 9.4% in the same period, remaining No. 1 in both categories, according to IDD Information Services Inc., New York.

Merrill's consumer markets sector posted solid revenue increases in commissions, insurance, asset management and custodial services, according to the firm's second-quarter earnings statement.

"Overall, second-quarter results pivoted on much better than expected June production despite the lack of any major closed-end fund offerings. However, margins will need to improve in order for EPS and book value growth to drive the stock to much higher levels," said the report by Mr. Eberling.

Shearson Lehman Hutton's second-quarter earnings benefited from increased investor activity and further success in reducing fixed costs, according to a company earnings statement. 1988's second-quarter results included a $69 million pre-tax charge related to the E.F. Hutton acquisition.

Shearson's investment banking revenue totaled $295 million for the second quarter, down from a record $395 million in 1988's second quarter.

Shearson's revenue from commissions and from market-making and principal transactions rose sharply from 1988, up 38% and 26%, respectively, to $533 million and $363 million in the quarter ended June 30.

Shearson's investment advisory revenue hit a record $144 million in the second quarter, up from $132 million for 1988's second quarter. ■

First-half brokerage firm earnings

	Net income ($ thous.)		% change	Earnings per share	
	1989	1988		1989	1988
Merrill Lynch	107,400	121,700	−12	0.93	1.08
Morgan Stanley	193,300	233,900	−17	4.88	6.07
PaineWebber	24,266	20,920	16	0.44	0.27
Salomon Brothers	225,000	253,000	−11	1.54	1.68
SLH	40,000	113,000	−64.5	0.31	1.14

Source: the brokerage firms

Pension assets fund jobs

By Marcia Parker

BOSTON — The $750 million Massachusetts Bay Transportation Authority Retirement Fund has allocated $20 million to purchase taxable state industrial finance bonds that will target investments in job-producing projects in the state.

The Massachusetts Industrial Finance Agency, which is floating the bonds, is pitching them to other public pension funds as a social investing tool. Public pension funds are under pressure to invest some of their huge portfolios in economic development in their respective states.

"This agreement is a small step with large implications," said John Gallahue Jr., executive director of the pension fund. "Public pension fund managers nationwide have grappled for years for ways to direct investments into economic development in their community. This agreement may well be a model solution. It addressed the social investing pressure."

Brian Carty, MIFA's executive director, said the retirement fund's investment could be a prototype for other public pension funds. "We see this as a way to unlock other sources of pension fund capital for business development in the state," Mr. Carty said.

MIFA will use the $20 million from the MBTA fund for five to seven business expansion projects in the $2 million to $5 million range.

Each taxable bond will have a maturity of five to seven years and is expected to generate returns to investors of 200 basis points above comparable Treasury securities.

The MBTA fund will directly purchase the MIFA taxable bonds, which minimizes costs by eliminating the need for underwriters and placement agents. MIFA and the MBTA fund will analyze the credit risk of each borrower. In some cases, MIFA will secure A rated or better letters of credit for the transactions. The combination of these program components will produce for borrowers a cost of funds below conventional rates.

Previously, MIFA sold a taxable bond directly to the $2.364 billion Massachusetts Pensions Reserves Investment Management Board. ■

Venture capital

Continued from page 3

The 1980 funds, by the end of their eighth year, had a median internal rate of return of 15%. Venture Economics projects an average annualized return of 10% to 15% for venture capital funds in the future, while some of the funds formed in this decade will be able to achieve "true venture returns" — about 20% annualized, Ms. Vincent said.

That those returns would be similar to those of funds formed in the early 1970s doesn't mean the investment environment of the coming years will be like the environment in the '70s, she said. There are more dollars and more people in venture capital now, making going for deals more competitive, she said.

She doesn't, however, agree with the argument that there is too much money chasing too few good deals. This is true in some sectors, but not overall, she said.

Doug Le Bon, vice president of Wilshire Associates, Santa Monica, Calif., said another issue involved might be that too many new venture capital management groups have been created. Ms. Vincent said she doesn't necessarily agree; some inexperienced venture capitalists have performed quite well, she said.

partners should remember that venture capital is a long-term investment and should pay attention to the quality of the venture capitalists who are managing the money.

The recent returns illustrate the cyclicality of the asset class and the need for institutional investors to be more active, said Edward T. Tokar Jr., vice president-investments at the $7 billion Allied-Signal Inc. pension fund, Morristown, N.J. The fund has about 4% of its assets in venture capital and other private-market investments.

"I haven't seen the study, but I know the dollar-weighted returns on venture capital are extremely weak," he said.

The strong returns in the early 1980s led many investors to get into venture capital, while the weaker returns now likely will cool investors' attitudes toward the asset class, he said. "The same thing will happen that's happened before," he said.

The difference between venture capital and the public markets, he added, is that once investors are in venture capital they generally can't pull out.

Sophisticated investors, Mr. Tokar said, need to decide whether the amount of time it to be more than passive investors, possibly co-investing with their partnerships and applying the knowledge gained from venture capital to other investments, he said.

Added Ronald C. Boller, director-benefit finance at Owens-Illinois Inc., Toledo, Ohio: "If you are serious about venture capital, you pick your people carefully and you're in it for the long haul." Owens-Illinois has about 2% of its $2 billion pension fund committed to venture capital.

Anthony Hoberman, senior vice president of Alliance Capital Management L.P., New York, said venture capitalists' fees are another factor deserving investors' attention. The typical 2.5% annual management fee on total committed capital, a holdover from when venture capital funds were much smaller, is no longer justified, nor is a definition of profit that doesn't require the general partners to make back their fees before taking their usual 20% share, he said.

"I can't understand why the limited partner part of this industry doesn't stand up and say, 'This is not a good deal,' " he said.

Charging a management fee only on the capital that is at work — not that which is being held for follow-on investments — and a more appropriate definition of profit are necessary steps, Mr. Hoberman said.

mining fees more closely. General partners who have been greedy haven't done well, she said.

Mr. Hoberman added he has doubts about the usefulness of interim returns, such as those in the Venture Economics report, as such returns can be distorted by cash balances. Still, he wasn't surprised by the returns and said he would like to see better numbers from the industry. ■

Coldwell

Continued from page 3

is not confident about future asset management of Fund VI.

Tad Jones, president of Coldwell Banker Realty Advisors, said Coldwell officials are in constant communication with clients. "We try to react to their wishes based upon our assessment of the marketplace and our assessment of the properties," he said.

While Coldwell isn't preventing property sales, Mr. Jones said, the firm does have to balance the desire to return capital to investors against getting a reasonable price in troubled markets. He said he couldn't comment further because the company is in registration with the Securities and Exchange Commission on a stock offering in connection with the sale of up to 50% of Coldwell to its employees.

Dennis Miller, ARCO's manager Fund IV is the original choice of properties. "I was always concerned (Coldwell) never looked at disposition (sale of properties) as actively as one should," he added.

"They have presented us with what we see as a good program, and we will give them some time to see if they effect it." Most of the properties in Fund IV are fully leased, and if holding onto the properties won't improve the return, the properties should be sold at a fair price and the money reinvested elsewhere, he said.

The near insurrection by pension executives comes at a bad time for Coldwell Banker Commercial Group Inc., the parent company, whose officials hope for company growth since breaking away in May as a subsidiary of Sears, Roebuck & Co. through a $300 million leveraged buy-out.

Coldwell Banker Realty Advisors is trying to attract pension investors for direct real estate in-

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PENSIONS & August 21, 1989

Investment Age

The newspaper of corporate and institutional investing [illegible]

Corporate boards take heat

Ex-SEC chief, fund push accountability

By Marcia Parker

A former chief of the Securities and Exchange Commission is calling on the SEC and Congress to strengthen the role and accountability of boards in corporate America.

The testimony of Roderick Hills is yet another voice in the ever-louder chorus trying to shake up corporate America's already uneasy boards, and making greater accountability of directors a priority.

In addition, the $14 billion Pennsylvania Public School Employes' Retirement System pension fund formulated a new comprehensive review policy for director candidates.

Meanwhile, the Hampton Corporate Strategy Group Inc., North Hampton, N.H., a small consulting firm to insurance companies and banks on director liability issues, is paying more attention to assessing the independence of corporate boards and to boosting their effectiveness.

A House subcommittee this month heard several proposals by Mr. Hills to bolster the role and accountability of the independent director.

He suggested management be required to disclose in great detail why any independent director leaves the board before normal retirement age. The same requirement should apply to the directors themselves. To encourage more communication, he said, the SEC also should require a greater explanation of how independent directors on audit or other committees keep open communication channels to outside auditors, counsel and company officers.

Mr. Hills also proposed the evaluation of independent directors be certified and maintained by the audit committee and that outside directors who lead proxy fights be given greater access to the proxy machinery.

He is managing partner at the Washington office of Donovan Leisure Newton & Irvine, and chairman of the Manchester Group Ltd., a private investment group. He was chairman of the SEC from 1975 to 1977 and chairman of Republic Corp. from 1971 to 1975.

Mr. Hills testified Aug. 2 before the Subcommittee on Telecommunications and Finance of the Committee on Energy and Commerce, which is interested in the question of whether shareholders should have greater access to the proxy machinery of the corporation in which they invest. His remarks on corporate directors were part of the broader issues he raised in connection with how corporations should be governed and what is wrong with the proxy system.

"That corporate directors still fall short of the mark too often can scarcely be doubted. Too many will resign from their friend's board rather than cause a public confrontation. Too many are put in place by the unilateral, unquestioned decision of the chief executive officer, and too many are easily displaced when they quarrel with the boss," Mr. Hills said.

"Directors are reluctant to check on management by seeking and encouraging candid conversation with independent counsels and auditors and inside general counsels and chief financial officers."

On the shareholder front,

Continued on page 55

Brignoli partners fold firm

By Barry B. Burr

NEW YORK — Brignoli, Curley & Roberts Associates, one of the fastest growing and most successful money management firms formed during the 1980s' bull market, will dissolve now that a federal judge ruled Richard Brignoli misappropriated funds, ran the firm for his selfish interest and attempted to freeze out his partners.

U.S. District Judge Milton Pollack's 31-page decision, issued Aug. 4, found in favor of John J. Curley, Duane G. Roberts and James Karanfilian, all partners in the firm, who sued Mr. Brignoli, the controlling partner.

In his decision, Judge Pollack ordered the removal of Mr. Brignoli from BCR, and placed control with Messrs. Curley, Roberts and Karanfilian and other limited partners, who then voted to dissolve the firm.

With their case against Mr. Brignoli settled in their favor, Messrs. Curley, Roberts and Karanfilian now plan to market to pension funds a quantitative equity strategy through their new firm, Cornerstone Asset Management Partners.

Mr. Brignoli plans to focus on Brignoli Advisers Inc., a subsidiary of Brignoli Models Inc. that was formed in early 1988 to offer a quantitative equity strategy called volatility capture.

The decision removing Mr. Brignoli from control of BCR marks the fifth ruling against him or his interests since October.

One ruling involved a companion case to the BCR suit: A federal court jury after deliberating only 35 minutes ruled in July against Mr. Brignoli in

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Photo by Alice Garik

Duane Roberts, left, and John J. Curley will dissolve Brignoli, Curley & Roberts Associates and will run their new firm.

California court voids M&A fee

Ruling could hurt banks, investors

By Marlene Givant Star

Investment bankers nationwide could stand to lose billions of dollars in fees over a decision being petitioned to the California Supreme Court that would make some investment banking activities in the state require a real estate broker's license.

That, in turn, could translate into fewer deals for investors.

In the case — All Points Traders Inc. vs. Barrington Associates — an appeals court ruled All Points did not have to pay Barrington, its investment banking boutique, a commission on a mergers and acquisitions transaction because Barrington lacked a real estate broker's license.

The decision by the California Court of Appeal 2nd Appellate District Division 3, Los Angeles, hinged on a little-known provision in a more than 50-year-old law that requires any person acting as a "business opportunity" broker or salesman to possess a real estate license.

The ruling affects dealmakers nationwide because anyone with a hand in a California transaction would have to possess a state real estate license.

A nationwide cast of top law firms, the Securities Industry Association, mergers and acquisitions boutiques and securities firms of all sizes is rallying to prevent a California appellate court decision from threatening their advisory fee income.

"Practically anybody that deals with M&A has an interest in this," said William Fitzpatrick, general counsel to the SIA, New York.

"A number of investment bankers may be hesitant to participate in transactions because they can't receive commissions because of this" ruling, said Richard Damm, consultant to the California Legislature Senate Commission on Corporate Governance, Shareholder Rights and Securities Transactions.

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LATE NEWS

Northern Trust purchases firm

CHICAGO — The Northern Trust Corp. plans to acquire Berry, Hartell & Evers, a San Francisco money management firm, subject to approval by the Securities and Exchange Commission. The price was not disclosed.

Berry, Hartell & Evers manages equity and fixed-income accounts totaling $285 million, of which $50 million is tax exempt.

The acquisition fits in well with Northern Trust Corp.'s strategy of expanding in California, said Van R. Gathany, executive vice president. The firm has opened Northern Trust of California offices in Los Angeles, San Francisco, Santa Barbara, Newport Beach and San Diego to offer asset management and fiduciary services.

Berry, Hartell & Evers will have increased opportunity for growth with the new ownership, said Kenneth E. Berry, partner. Access to Northern's investment research will be a major advantage, he said, adding the firm will continue to operate in its present form.

Northern Trust Corp. is the holding company for Northern Trust Co., one of the nation's largest master trust banks, with $160 billion in domestic master trust and master custody assets and $13.2 billion in global custody assets, and the parent of Northern Investment Management Co., which runs $23 billion, including $18 billion that is tax exempt.

Arbitraged index fund dropped

CHICAGO — Stein Roe & Farnham Inc. will discontinue offering arbitrage-enhanced stock index funds, said William Andrews, first vice president.

The firm manages $75 million, all tax exempt, in the funds, which are enhanced with futures and options. The spreads between stocks and derivative instruments have narrowed to the point where the strategy does not add as much value as it used to and now is less attractive to clients, Mr. Andrews said.

Stein Roe & Farnham will keep handling the funds until its clients have new managers in place, he added.

California hires real estate help

SACRAMENTO, Calif. — The $53 billion California Public Employees' Retirement System hired Security Pacific Real Estate Investment Bank as a national loan correspondent to identify real estate financing opportunities and help underwrite and service the investments.

The California pension fund and Security Pacific Real Estate Investment Bank, a division of Security Pacific National Bank, have worked together in the past. The bank is a key player in the national real estate markets.

Partner at Frontenac loses bid

CHICAGO — A Cook County Circuit Court judge has denied venture capitalist David R. Dullum's request to block the reorganization of Frontenac Venture Co., the firm from which Mr. Dullum alleges he was illegally and fraudulently removed.

Mr. Dullum, who had been one of three managing general partners of the firm, filed suit in early August against the others, Martin J. Koldyke and Rodney L. Goldstein.

Messrs. Dullum, Koldyke and Goldstein were the firm's management committee; Mr. Dullum was asked to leave the firm May 3 after a dispute with the others over the election of a fourth member, James Cowie, to that committee.

Circuit Judge Thomas Rakowski declined to stop the reorganization of the firm into a new partnership, ruling the original Frontenac partnership was dissolved automatically by the disagreement between Mr. Dullum and the others. A unanimous vote was required for the partnership to remain intact, the judge ruled.

Still to be resolved is the issue of Mr. Dullum's financial share of Frontenac, said Michael M. Conway, attorney for Messrs. Koldyke and Goldstein. Mr. Dullum's attorney did not return calls for comment.

Frontenac manages about $300 million, largely for institutional investors.

Goldin pulls $3 billion account

NEW YORK — New York City Comptroller Harrison J. Goldin has withdrawn the designation of Irving Trust Co., which is merging with the Bank of New York, as custodian of some $3 billion in short-term assets for both the city and its five pension funds, with assets of $35 billion. The assignment was withdrawn because the banks couldn't meet a deadline for producing an acceptable equal employment opportunity commitment.

Irving had served as custodian of the assets since 1975.

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Vol. 17, No. 18 — Pensions & Investment Age (ISSN 0273-5466) is published biweekly with a special edition in May, at 740 Rush St., Chicago, Ill. 60611. Second class postage paid at Chicago, Ill. and at additional mailing offices. Postmaster: Send address changes to Pensions & Investment Age, Circulation Dept. 965 E. Jefferson, Detroit, Mich. 48207.

Assessing the harm

Indictments spur review by investors

By Trudy Ring

Photo by Michael Marcotte

Investors say market activity at the Chicago Mercantile Exchange, above, and Board of Trade will be hampered only temporarily following the indictment of 46 Chicago futures traders.

Institutional investors still are trying to determine whether any of their trades were affected by the practices that resulted in indictments of 46 Chicago futures traders.

The investors added fallout from the probe might hamper market activity for a while but likely will benefit it in the long run.

A federal grand jury in Chicago brought indictments Aug. 2 against traders in the Treasury bond and soybean futures pits at the Chicago Board of Trade and the yen and Swiss franc futures pits at the Chicago Mercantile Exchange.

The indictments allege traders engaged in various fraudulent practices. These include "bucketing," arranging for friends to take the other sides of trades while not getting the best prices for customers; "front-running," trading for themselves before executing customer orders, usually resulting in gains for traders and losses to customers; dumping losses into the accounts of other traders and promising to repay them by skimming profits from customers; and creating fictitious losing trades to hide profits from the Internal Revenue Service.

The indictments came out of an investigation in which four FBI agents posed as futures traders.

Of the contracts involved,

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5 leave Merus; client pulls out

By Barry B. Burr

SAN FRANCISCO — Anthony E. Spare, chief investment officer of Bank of California's Merus Capital Management, and five key colleagues have left to form a firm that will duplicate the dividend yield investment strategy they used at Merus.

Federal Express Corp. pulled its $65 million equity portfolio from Merus the day it learned of Mr. Spare's departure, said Bill Gurner, manager-trust investments for the $700 million Memphis, Tenn.-based pension fund.

Mr. Gurner said Federal Express, a client for two years, had been satisfied with Merus' performance and would have kept its portfolio there had Mr. Spare stayed. It immediately hired Barrow, Hanley, Mewhinney & Strauss Inc., Dallas, to run the $65 million in equities, he added.

"We were wounded, but we certainly aren't devastated" by the departures of Mr. Spare and the other executives, said Ralph Rasmussen, executive vice president and head of the bank's trust department and investment group, to whom Mr. Spare had reported.

Joelle Yuna, Merus' manager-corporate communications, said Federal Express is the only client to have left as a result of the departures. "This is the only one that has so notified us, and we've talked to everyone," she said. All the others said they would stay with Merus to see if the change of personnel affects performance, she added.

Mr. Rasmussen said he doesn't believe the departures will affect Merus' management because it uses a team approach, rather than relying on individual portfolio managers. Merus employs about 40 people in investment management, he noted.

Merus, which managed $1.8 billion in tax-exempt assets before the Federal Express account was terminated, was formed as a division of the Bank of California after the bank was acquired in 1984 by Mitsubishi Bank Ltd. of Japan.

Mr. Spare was unavailable for comment. Nancy Tengler, Merus' former director-marketing and client relations for large institutions, who joined Mr. Spare as a principal in the new firm, said they left because of the increasing control Mitsubishi exercised. She said Mr. Spare would have to elaborate.

Mr. Rasmussen noted Mitsubishi had created the more autonomous structure of Merus, and had placed Mr. Spare at the helm. "There's the great irony of it," Mr. Rasmussen said. "To make a claim otherwise I find laughable."

He said Mr. Spare's abrupt departure after 26 years with the bank was a surprise. "We didn't want him to leave."

Bradford Hatcher, vice president and senior investment officer who supervised regional portfolio

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Global issues thrive

By Marlene Givant Star

International structured financings are flourishing in the Euromarkets and in various non-U.S. markets.

Rated issues climbed to a total of $9.75 billion in non-U.S. markets alone in 1988, from $3.2 billion in 1987, according to a report on international structured finance by Standard & Poor's Corp., New York.

The Bank for International Settlements' capital guidelines are expected to expand the market even further in 1989 as financial institutions shed assets to meet capital ratios. Beyond 1989, these institutions will turn to asset-backed securities as they look to fund lower-risk/lower-return assets off their balance sheets to keep capital ratios strong without turning away good customers, the report said.

Regulation of securitization is developing with the growth of asset-backed markets. The Bank of England issued a notice in February on loan transfers and securitization removing major uncertainties surrounding the treatment of securitized assets for U.K. banks, and France issued laws

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Funds long on quality

Default fears end the reign of high-yield portfolios

By Fred Williams

High-quality and longer maturity bond portfolios captured the top positions in the second quarter Pensions and Investments' Performance Evaluation Report, while high-yield bond portfolios dropped back after occupying the top spot for the previous two quarters.

Fears of junk bond defaults and of a recession, coupled with a rally in the fixed-income market, sparked the surge by high-quality longer-term bond funds.

The rally in the bond market began in March and gathered momentum in early June with the continued advance of the dollar and a growing belief the economy was slowing.

The Boatmen's Trust Co. Bond Fund, with assets of $155 million, returned 13.27% in the quarter ended June 30 to lead all PIPER bond funds for the period. That fund was followed by Equitable Capital Management Corp.'s Separate Account No. 5 bond fund with a return of 10.69%, and Transamerica Life Insurance Co. Separate Account T-2 with 10.09%.

The Shearson Lehman Hutton Government/Corporate Bond Index advanced 8.04% during the quarter; the median PIPER bond fund was up 6.78%.

The Boatmen's fund finished in the upper decile for the long term as well. For the year ended June 30 it returned 21.16%; for three years, 9.8%; five years, 19.71%; and 10 years, 13.89%. (All returns for periods of more than one year are compound annualized.)

The Equitable and Transamerica funds also finished in the upper decile for the one- three- and five-year periods. Equitable reported returns of 16.54%, 10.24% and 18.31%, respectively; Transamerica returned 16.77%, 11.86% and 17.88%, respectively.

The median PIPER fund was up 11.01% for the 12 months; 8.01% for three years; 13.4% for five years; and 10.77% for 10 years. The Shearson Lehman Hutton Government/Corporate Index was up 12.33%, 8.12%, 14.43% and 11.27% for the same periods.

PIPER's fixed-income universe is composed of 305 bank and insurance company commingled funds with total assets of $20.2 billion.

The high-yield bond fund of First Variable Life Insurance Co., which had led the field for all periods in the previous two quarters fell to the seventh decile for the second quarter. It remained at or near the top for longer periods, reporting 19.14% for the 12 months; 13.66% for three years; 18.36% for five years; and 16.14% for 10 years.

In comparison, First Variable's high-quality fixed-income fund, with $3 million in total assets, finished in the top decile for the quarter with a return of 8.44%.

Rebecca H. Garner, vice president at Amherst Investment Management Co., Little Rock, which manages the First Variable funds, said junk bond funds were up for the quarter "but not up as much as Treasuries."

"The Treasury market went berserk (in the second quarter) and nothing keeps in lockstep with Treasuries, as yields go down prices go up and our prices (junk bonds) didn't go up as much," she said. "Treasuries moved up a lot faster because it is a global market."

The First Variable fund finishing in the top decile for the quarter was longer term in nature and made up of high-quality, primarily utility, issues. "It is a high quality, very conservatively managed fund with a 20-year average maturity," she said.

The $155 million Boatmen's fund is made up primarily of U.S. government agency issues and Treasury instruments, said Robert Franklin, chief investment officer for the St. Louis bank.

"Right now it is a high-quality portfolio. We have our tactics — sector selection and credit analysis. Those two are telling us there is a strong likelihood of a recession, thus we are out of corporates right now," he said.

"Last year, junk (bonds) did well. They started 1988 with the thought there could be a recession; it became evident there wouldn't be one and they had a nice move up."

Mr. Franklin said the current

Continued on page 25

Fixed-income funds
(periods ended June 30)

	Quarter	1 yr.	3 yr.	5 yr.	10 yr.
Highest return	13.27%	21.16%	13.66%	19.71%	16.14%
First quartile	7.58	12.2	8.56	14.57	11.56
Median	6.78	11.01	8.01	13.4	10.77
Third quartile	5.54	9.78	7.57	11.99	10.2
Lowest return	2.21	6.47	3.4	5.59	7.05
Shearson G/C	8.04	12.33	8.12	14.43	11.27

Growth strategy pays off

By Leonard J. Hollie

Pooled equity funds
(periods ended June 30)

	Quarter	1 yr.	3 yr.	5 yr.	10 yr.
Highest return	16.57%	30.28%	20.55%	29.37%	24.06%
First quartile	8.69	20.26	12.11	19.97	17.56
Median	7.62	17.77	10.06	18	16.33
Third quartile	6.43	14.83	8.11	16.54	14.7
Lowest return	1.76	−9.14	−8.12	8.61	8.84
S&P 500	8.71	20.36	11.95	20.08	17.02

Emphasizing growth made equity funds the top performers in the quarter and year ended June 30 in Pensions & Investments' Performance Evaluation Report.

In the PIPER one-year returns, two Equitable Capital Management Corp. equity funds were among the year's top three performers. Equitable's No. 4 growth fund led for the year with 30.28%; the Equitable No. 1 fund came in third with 28.42%. Gary-Wheaton Bank's Growth Equity Fund was second for the year with 28.68%.

The 20 year-old No. 4 growth fund has $1.2 billion in assets and is value-oriented.

Alden Stewart, Equitable executive vice president, who has managed the fund for 12 years, said he concentrates on buying companies with the most potential for growth. Mr. Stewart declined to name specific holdings, but said stocks in telecommunications, pollution control, engineering and construction, and media and entertainment were mostly responsible for the growth.

Equitable's $226 million No. 1 fund is a conservative growth and income account. It is broadly diversified with a position that is smaller than the No. 4 fund, said Eric Leo, managing director.

Mr. Leo said the fund's investments are similar to the No. 4 fund, and he plans to move the fund into investments in natural gas and utilities.

The Standard & Poor's 500 Stock Index returned 8.71% for the quarter and 20.36% for the year. The median PIPER equity fund returned 7.62% return for the quarter and 17.77% for the year.

The median funds' underperformance of the S&P continued in the longer periods. The median for the three years ended June 30 was 10.06% compared with 11.95% for the year.

For the five-year period, the median fund returned 18%, compared with 20.08% for the S&P. For the 10-year period, the median was 16.33%; the S&P returned 17.02%. All returns for periods exceeding one year are compound annualized.

For the second quarter, Shearson Lehman Hutton Trust Co.'s Flexible Growth 7 Fund was first with 16.57%.

Larry Tashjian, portfolio manager at Provident Investment Counsel, Pasadena, Calif., which provides investment advice for the Shearson Lehman Hutton account, said the 6-year-old fund has $3 million and holds 30 issues. Its assets have been invested in a number of hot stocks in several industries, including entertainment and waste management. In entertainment, some of the holdings are **Walt Disney Co.**, **Warner Communications Inc.** and **Paramount Communications Inc.** In waste management services, some of the holdings are **Browning-Ferris Industries Inc.** and **Waste Management Inc.**

"The strong gains generated by quality growth has been recognized by a number of investors," said Mr. Tashjian.

For the longer periods, First Fidelity Bank, Newark, N.J., led the three-year period with 20.05%. It was followed by United Bank of Denver's equity fund at 20.42%; Bank One Indianapolis' Fund L with 20.1%; and First Chicago Investment Advisers' equity fund with 19.16%.

Sun Bank Capital Management, Orlando, Fla., led both the five-year period with 29.37% and the 10-year period with 24.06%.

For the five-year period, it was followed by Bank One Indianapolis with 27.21% and the Matrix Synthesis fund of State Street Bank, Boston, with 24.6%. For the 10 years, it was followed by the equity fund of Manufacturers Life Insurance Co., Toronto, with 22.84% and First Fidelity Bank with 21.06%.

Anthony Gray, vice president and chief investment officer, said

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The one decision about 404(c) that's easy to make.

The Department of Labor Section 404(c) guidelines mean you will face some pretty tough decisions about fiduciary responsibilities and the investment options in your company's 401(k) plan.

How many investment options should you offer? What kind of investments should they be? What do your employees want?

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PIPER

Top quartile commingled equity funds

3-month returns

	%
SLH Trust (Flex growth 7), Del.	16.6
Equitable Capital (No. 4), N.Y.	13.5
Lincoln Nat'l (Select), Ind.	12.4
First Trust, Colo.	12.0
Princeton Bank, N.J.	11.8
IDS Trust (Core growth), Minn.	11.8
First Wis. Asset (Growth A)	11.7
Chase-CMB (Spectrum), N.Y.	11.6
Chancellor Capital (Research)	11.1
Valley Fidelity, Tenn.	11.1
Pioneer Bank, Ill.	11.1
Trust Co. of West (Strategy)	11.0
Irving Trust, N.Y.	10.8
Commercial Capital, Ariz.	10.7
American Nat'l Chicago (Active)	10.7
Markston Investment Mgmt., N.Y.	10.6
Mark Twain Bank, Mo.	10.6
Equitable Capital (No. 1), N.Y.	10.5
Chancellor Capital, N.Y.	10.5
Firstier Bank Omaha	10.4
Bank One Indianapolis (L)	10.4
Commercial Capital (Spec.), Ark.	10.3
Mercantile Bank, Mo.	9.8
Sun Bank, Fla.	9.8
AmSouth, Ala.	9.8
Hamilton Bank, Pa.	9.7
US Nat'l Bank, Texas	9.7
Fidelity Mgmt. (Earn.), Mass.	9.6
MTrust (Growth), Texas	9.6
Merchants Nat'l (2), Ind.	9.6
Home Life, N.Y.	9.5
First Nat'l of Toledo, Ohio	9.5
Oregon Bank	9.4
Chase-CMB (Index), N.Y.	9.4
Morgan Guaranty (Lg. co.), N.Y.	9.3
Independence Invest. (1K), Mass.	9.3
Bessemer Trust, N.Y.	9.3
Boatmen's FNB Kansas City, Mo.	9.3
Prudential (VCA-9), N.J.	9.2
CIGNA Corp. (SA A), Conn.	9.2
Wilmington Trust-Tremont (Return)	9.1
IAA Trust (C), Ill.	9.1
Citizens Comm. (Growth), Mich.	9.1
NCNB Nat'l Bank, N.C.	9.1
Shawmut Bank, Mass.	9.1
Wilmington-Tremont (Growth)	9.1
Associated Kellogg, Wis.	9.0
First Variable Life, Ark.	9.0
Chancellor Capital (Enhanced)	9.0
First Asset Mgmt., Minn.	8.9
C & S Trust Florida	8.9
First Asset Mgmt., Minn.	8.9
Chancellor Capital (Index)	8.8
First Interstate of Arizona	8.8
Wells Fargo (Index), Calif.	8.8
State Street (Index), Mass.	8.8
Second Nat'l Bank, Ohio	8.8
Travelers Insurance (SA 500)	8.8
Northern Trust (Select), Ill.	8.8
State Street (Matrix syn.), Mass.	8.8
First Bank Milwaukee	8.8
Central Fidelity, Va.	8.8
Bank of Delaware (VIP)	8.8
First Nat'l of Tulsa, Okla.	8.7
First Interstate of California (Index)	8.7
Standard & Poor's	**8.7**
Chase-CMB (Index), N.Y.	8.7
Bankers Trust (Index), N.Y.	8.7
Johnson County Bank, Kan.	8.7
General American (Index), Mo.	8.7

1-year returns

	%
Equitable Capital (No. 4), N.Y.	30.3
Gary-Wheaton Bank (Growth), Ill.	28.7
Equitable Capital (No.1), N.Y.	28.4
Chase-CMB (Spectrum), N.Y.	27.8
US Nat'l Bank, Texas	27.8
Firstier Bank Omaha, Neb.	27.5
Lincoln Nat'l (Select), Ind.	27.2
Markston Investment Mgmt., N.Y.	27.1
Mark Twain Bank, Mo.	26.9
New York Life (SA 6), N.Y.	26.4
SLH Trust (Flex growth 7), Del.	26.2
Associated Manitowoc, Wis.	25.7
Second Nat'l Bank, Ohio	25.4
Irving Trust, N.Y.	25.0
Independence Invest. (1K), Mass.	24.7
Crown Life (US grp.), Ontario	24.7
Summit Bank, Ind.	24.3
NCNB Nat'l Bank, N.C.	24.0
Connecticut Mutual (CM)	23.7
American Nat'l Chicago (Active)	23.6
Pennsylvania Mutual (SA A)	23.3
Bank One Wisconsin (Growth)	23.0
Jefferson Trust (Growth), Ill.	22.9
Merchants Nat'l (2), Ind.	22.8
First Nat'l Mercantile (G&I A), Mo.	22.7
State Street (Matrix syn.), Mass.	22.6
MTrust (Growth), Texas	22.6
First Chicago	22.6
Crestar Bank (5822), Va.	22.4
Exchange Nat'l-Chicago (Mgd.)	22.4
Independence Invest. (1L), Mass.	22.1
Citizens Bank (B), Mo.	22.0
IDS Trust (Core growth), Minn.	22.0
Chase-CMB (Index), N.Y.	22.0
Mercantile Nat'l, Ind.	21.9
Merus Capital (Income), Calif.	21.9
Nat'l Bank of Commerce, Neb.	21.9
C & S Trust Florida	21.8
Banc One Asset (Corp.), Ohio	21.8
State Street Bank, Mass.	21.7
Exchange Nat'l-Chicago	21.7
Merchants Nat'l (I), Ind.	21.7
Valley Fidelity, Tenn.	21.6
Chancellor Capital (Enhanced)	21.5
Capital Trust (I), Ore.	21.5
Morgan Guaranty (Lg. co.), N.Y.	21.2
LaSalle Nat'l (Intrinsic), Ill.	21.0
Mercantile Bank, Mo.	20.9
Stock Yards Bank (Trust), Ky.	20.8
First Union (Enhanced), N.C.	20.8
State Street (Index), Mass.	20.7
Dominion Trust (Corp.), Va.	20.7
Mid-State Bank, Pa.	20.7
Bankers Trust (Index), N.Y.	20.6
Citizens Comm. (Growth), Mich.	20.6
Chancellor Capital, N.Y.	20.6
Travelers Insurance (SA 500)	20.6
Wells Fargo (Index), Calif.	20.6
Employers Life of Wausau (SA 1)	20.6
Chancellor Capital (Index)	20.6
Standard & Poor's	**20.4**
First Interstate/California (Index)	20.4
Confederation Life, Ga.	20.3
Chase-CMB (S&P index), N.Y.	20.3
Trust Co. of West (Strat.), Calif.	20.3
Bank One Wis. Trust (Disciplined)	20.3

3-year returns

	%
First Fidelity Bank (Disc.), N.J.	20.6
United Capital, Colo.	20.4
Bank One, Indianapolis (L)	20.1
First Chicago	19.2
Crown Life (US grp.), Ontario	17.7
Bank One Wis. Trust (Disciplined)	17.2
Irving Trust, N.Y.	17.0
State Street (Matrix syn.), Mass.	17.0
Capital Trust (I), Ore.	16.3
Sun Bank, Fla.	16.2
US Nat'l Bank, Texas	15.8
Merus Capital (Income), Calif.	14.9
Sovran Capital (Inst.), Va.	14.7
Confederation Life, Ga.	14.4
State Bank (C), Ohio	14.3
State Street Bank, Mass.	14.1
American Nat'l St. Paul, Minn.	14.1
The Phoenix, Conn.	14.1
Independence Invest. (1K), Mass.	13.9
First Illinois (Personal)	13.8
Mutual of New York (Income)	13.8
Markston Investment Mgmt., N.Y.	13.8
NCNB Texas (Diverse)	13.7
IDS Trust (Core growth), Minn.	13.7
Wellington Trust (Divers.), Mass.	13.6
Chase-CMB (Spectrum), N.Y.	13.6
Cullen Bank, Texas	13.5
Jefferson Trust (Growth), Ill.	13.5
Mutual of New York (Divers.)	13.3
South Carolina Nat'l	13.2
Mark Twain Bank, Mo.	13.2
First Illinois (Corp.)	13.1
Chase-CMB (Index), N.Y.	13.0
Connecticut Mutual (CM)	13.0
Equitable Capital (No. 4), N.Y.	12.9
Lincoln Nat'l (Select), Ind.	12.9
Mid-State Bank, Pa.	12.9
Merus Capital (Growth/strat.)	12.9
Valley Nat'l (I), Ariz.	12.8
Chancellor Capital (Research)	12.7
NCNB Nat'l Bank, N.C.	12.6
US Nat'l Oregon (Qualivest)	12.6
Dominion Trust (Corp.), Va	12.6
Wellington Trust (Inc.), Mass.	12.6
NCNB Texas (Income)	12.5
First Interstate Oregon	12.5
Associated Manitowoc, Wis.	12.4
First Nat'l of Omaha (D)	12.4
First Alabama Bank (I)	12.4
General American (Index), Mo.	12.3
Crestar Bank (5822), Va.	12.3
Wheeling Dollar Bank, W.Va.	12.3
Fidelity Mgmt (Inc.), Mass.	12.2
American Nat'l Chicago (Active)	12.2
Travelers Insurance (SA 500)	12.2
First Interstate of Calif. (Index)	12.1
First Nat'l of Maryland	12.1
Bankers Trust (Index), N.Y.	12.1
SLH Trust (Value 4), Del.	12.1
MTrust (Value), Texas	12.1
State Street (Index), Mass.	12.1
Ameritrust (Diversified), Ohio	12.1
Standard & Poor's	**12.0**

5-year returns

	%
Sun Bank, Fla.	29.4
Bank One, Indianapolis (L)	27.2
State Street (Matrix syn.)	24.6
State Bank (C), Ohio	24.5
IDS Trust, (Core growth), Minn.	23.2
NCNB Texas (Diverse)	23.2
Pioneer Bank, Ill.	23.2
Merus Capital (Income), Calif.	23.0
Chancellor Capital (Research)	22.8
Capital Trust (I), Ore.	22.2
First Chicago	22.2

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Firstier Bank Omaha	22.1
NCNB Texas (Income)	22.1
Bank One Wis. Trust (Disciplined)	21.9
Morgan Guaranty (Lg. co.), N.Y.	21.8
US Nat'l Bank, Texas	21.8
First Fidelity (Disc.), N.J.	21.7
Guardian Insurance (VA 1), N.Y.	21.5
State Street Bank, Mass.	21.3
United Capital Mgmt., Colo.	21.3
First Fidelity, N.J.	21.2
Crown Life (US grp.) Ontario	21.1
First NH Investment (A)	21.1
Independence Invest. (1K), Mass.	21.0
First Interstate Oregon	20.9
American Nat'l Chicago (Active)	20.8
Barnett Banks, Fla.	20.6
Mellon Equity Associates, Pa	20.6
Markston Investment Mgmt., N.Y.	20.6
Equitable Capital (No. 4), N.Y.	20.6
IDS Trust (A), Minn.	20.5
Wellington Trust (Divers.), Mass.	20.5
Sovran Capital, Va.	20.5
Merus Capital (Growth/strat.)	20.5
Puget Sound Nat'l, Wash.	20.5
Southtrust Bank, Ala.	20.4
Dominion Trust (Corp.), Va.	20.4
Summit Trust, N.J.	20.4
Bankers Trust (Index), N.Y.	20.3
Irving Trust, N.Y.	20.3
First Illinois (Corp.)	20.3
Mutual of New York (Inc.), N.Y.	20.2
SLH Trust (Flex-growth 7), Del.	20.2
MTrust (Growth), Texas	20.2
Wells Fargo (Index), Calif.	20.2
American Nat'l St. Paul, Minn.	20.2
MTrust (Value), Texas	20.2
Cullen Bank, Texas	20.1
Chase-CMB (S&P index), N.Y.	20.1
Standard & Poor's	**20.1**
State Street (Index), Mass.	20.1
First Trust, Colo.	20.1
Associated Manitowoc, Wis.	20.0
Bank of New England (Valuepath)	20.0

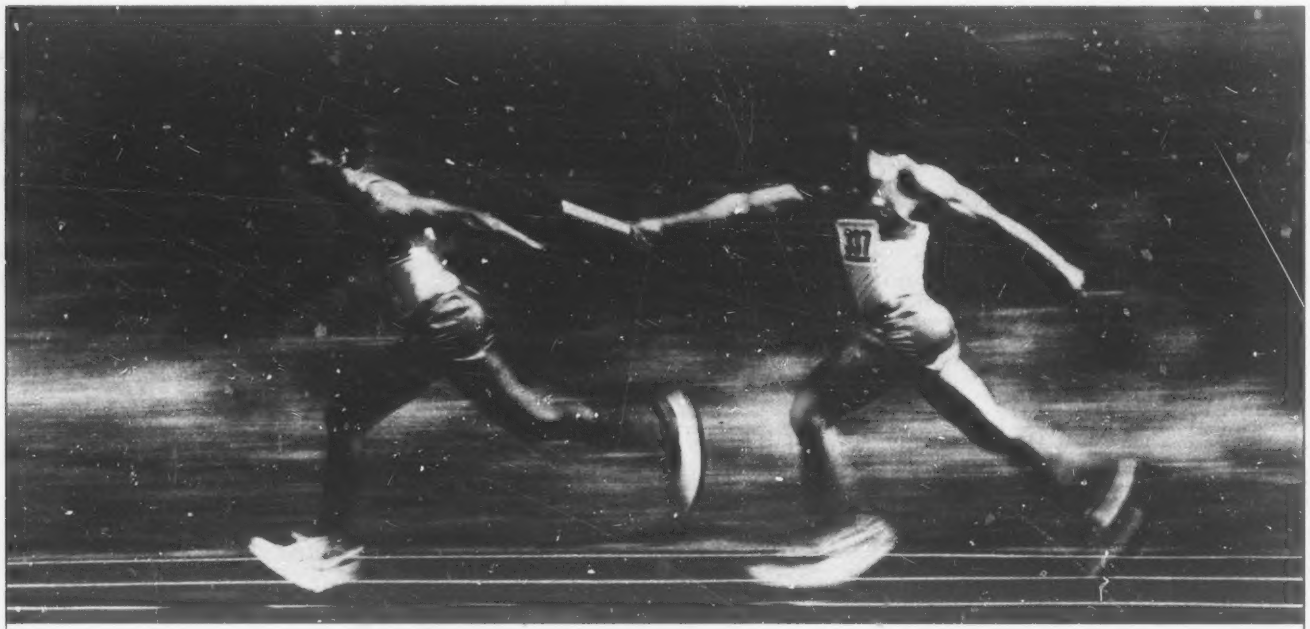
10-year returns

	%
Sun Bank, Fla.	24.1
Manufacturers Life, Ontario	22.8
First Fidelity Bank (Disc.), N.J.	21.1
First Union Nat'l Bank, N.C.	20.7
United Capital, Colo.	20.5
Guardian Insurance (VA 1), N.Y.	20.3
Merus Capital (Income), Calif.	19.9
Equitable Capital (No. 4), N.Y.	19.9
The New England (Sep. cap.)	19.8
US Nat'l Bank, Texas	19.8
First NH Investment (A)	19.7
First Interstate of Oklahoma	19.6
US Nat'l Oregon (Qualivest)	19.3
MTrust (Growth), Texas	19.3
Provident Capital, Pa.	19.1
Confederation Life, Ga.	19.0
Connecticut Mutual Life (CM)	18.9
State Street Bank, Mass.	18.9
First Trust Corp., Colo.	18.8
MTrust (Value), Texas	18.7
Markston Investment Mgmt., N.Y.	18.7
First Interstate Oregon	18.7
Manufacturers Detroit	18.6
Merus Capital (Growth/strat.)	18.6
NCNB Texas (Diverse)	18.3
Firstier Bank Omaha	18.3
First Fidelity Bank, N.J.	18.3
Citizens Bank (B), Mo.	18.2
First Nat'l of Omaha (D)	18.2
American Nat'l Chicago (Active)	18.2
ALIAC (Variable/tot)	18.1
Bessemer Trust, N.Y.	18.1
Dauphin Deposit (Corp.), Pa.	18.1
Lake Shore Nat'l, Ill.	18.1
C & S Trust Florida	18.0
Massachusetts Mutual	18.0
Nat'l Bank of Commerce, Neb.	17.9
Home Life, N.Y.	17.8
Employers Life of Wausau (SA 1)	17.8
Citytrust (E1), Conn.	17.8
Wheeling Dollar Bank, W. Va.	17.8
Chase-CMB (Spectrum), N.Y.	17.6
Standard & Poor's	**17.0**

Top quartile commingled fixed-income funds

3-month returns

	%
Boatmen's Trust, Mo.	13.3
Equitable Capital (No. 5), N.Y.	10.7
Transamerica Life (SA T-2), Calif.	10.1
NCNB Texas (Long term)	10.0
Chase-CMB (Long term), N.Y.	9.8
Union Nat'l Wichita, Kan.	9.4
Irving Trust, N.Y.	9.3



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PIA

Top equity funds by size

1-year

Over $100 million

	%
Equitable Capital (No. 4), N.Y.	30.3
Equitable Capital (No. 1), N.Y.	28.4
Markston Invest. Mgmt., N.Y.	27.1
New York Life (SA 6), N.Y.	26.4
Independence Invest. (1K)	24.7
NCNB Nat'l Bank, N.C.	24.0
American Nat'l Chicago (Act.)	23.6
MTrust (Growth), Texas	22.6
First Chicago	22.6
Independence Invest. (1L)	22.1

$50 million to $100 million

	%
Chase-CMB (Spectrum), N.Y.	27.8
Lincoln Nat'l (Select), Ind.	27.2
Crestar Bank (5822), Va.	22.4
Nat'l Bank of Commerce, Neb.	21.9
Mercantile Bank, Mo.	20.9
First Interstate/Calif. (Index)	20.4
Trust Co. of West (Strat.)	20.3
Midlantic, N.J.	20.2
First Fidelity Bank, N.J.	20.1
General American (Index), Mo.	19.8

$10 million to $50 million

	%
US Nat'l Bank, Texas	27.8
Firstier Bank Omaha	27.5
Irving Trust, N.Y.	25.0
Crown Life (US grp.), Ontario	24.7
Summit Bank, Ind.	24.3
Connecticut Mutual (CM)	23.7
Pennsylvania Mutual (SA A)	23.3
Bank One Wis. Trust (Growth)	23.0
Jefferson Trust (Growth), Ill.	22.9
First Nat'l Mercantile (A), Mo.	22.7

Under $10 million

	%
Gary-Wheaton Bank (Growth)	28.7
SLH Trust (Flex growth 7)	26.2
Associated Manitowoc, Wis.	25.7
Second Nat'l Bank, Ohio	25.4
Merchants Nat'l (2), Ind.	22.8
Exchange Nat'l (Mgd)	22.48
IDS Trust (Core growth), Minn.	22.0
Mercantile Nat'l, Ind.	21.9
Exchange Nat'l	21.7
First Interstate Oregon	20.1

10-year returns

Over $100 million

	%
Sun Bank, Fla.	24.1
Manufacturers Life, Ontario	22.8
First Union Nat'l Bank, N.C.	20.7
Merus Capital (Inc.), Calif.	19.9
Equitable Capital (No. 4), N.Y.	19.9
The New England (Sep. gro.)	19.8
US Nat'l Oregon (Qualivest)	19.3
MTrust (Growth), Texas	19.3
Provident Capital, Pa.	19.1
Markston Invest. Mgmt., N.Y.	18.7

$50 million to $100 million

	%
Merus Capital (Growth/strat.)	18.6
NCNB Texas (Diverse)	18.3
First Fidelity Bank, N.J.	18.3
Nat'l Bank of Commerce, Neb.	17.9
Chase-CMB (Spectrum), N.Y.	17.6
Texas Commerce (Diverse)	17.5
The Phoenix, Conn.	17.4
Mercantile Safe, Md.	17.3
AmSouth, Ala.	17.1
First Wis. Asset (Growth A)	17.0

$10 million to $50 million

	%
First Fidelity (Disc.), N.J.	21.1
United Mgmt., Colo.	20.5
Guardian Insurance (VA 1)	20.3
US Nat'l Bank, Texas	19.8
First Interstate of Oklahoma	19.6
Confederation Life, Ga.	19.0
Connecticut Mutual (CM)	18.9
State Street Bank, Mass.	18.9
First Trust Corp., Colo.	18.8
MTrust (Value), Texas	18.7

Under $10 million

	%
First NH Investment (A)	19.7
First Interstate Oregon	18.7
Wheeling Dollar Bank, W.Va.	17.8
Union Central, Ohio	16.9
Puget Sound Nat'l, Wash.	16.5
Associated Manitowoc, Wis.	16.4
Merchants Nat'l (2), Ind.	16.3
First Nat'l of Commerce, La.	15.8
Second Nat'l Bank, Ohio	15.8
Old Second Nat'l (HR 10), Ill.	15.2

Independence Invest., Mass.	9.3
Boatmen's FNB Kansas City, Mo.	9.2
AmSouth, Ala.	9.1
Manufacturers Life (B), Ontario	9.1
Bessemer Trust, N.Y.	9.0
CIGNA Corp. (Active), Conn.	8.7
Midlantic, N.J.	8.7
Mercantile Bank, Mo.	8.7
Mellon Bond, Pa.	8.5
Sunburst Bank, Miss.	8.5
First Variable Life (HQ), Ark.	8.4
Firstier Bank Omaha	8.4
Hawaiian Trust	8.3
New York Life (SA 4)	8.3
Harris Trust, Ill.	8.3
First Wachovia, N.C.	8.2
Bank of Oklahoma Tulsa	8.2
Chase-CMB (CMB index), N.Y.	8.2
Texas Commerce (Active)	8.2
Chemical Bank (Bondex I), N.Y.	8.2
Barnett Bank, Fla.	8.1
IDS Trust (A), Minn.	8.1
Manufacturers Detroit	8.1
Key Trust, N.Y.	8.1
Wellington Trust (Gov./corp)	8.1
Wells Fargo (Index), Calif.	8.1
Minnesota Mutual (SA E)	8.0
Shearson Lehman G/C	**8.0**
Bank of New England, Mass.	8.0
Bankers Trust (SLGC index)	8.0
Aetna Life (SA 76), Conn.	8.0
Connecticut Bank	7.9
Sun Bank, Fla.	7.9
Fidelity Bank, Pa.	7.9
Deposit Guaranty, Miss.	7.9
First Interstate of California	7.8
The Principal, Iowa	7.8
SLH Trust (Direct 5), Del.	7.8
Bankers Trust (Mtg.), N.Y.	7.8
First Asset Mgmt., Minn.	7.7
Citizens Fidelity (F), Ky.	7.7
IAA Trust (B), Ill.	7.7
Life of Virginia	7.7
First Nat'l of Omaha (C), Neb.	7.7
NCNB Nat'l Bank, N.C.	7.7
Chemical Bank (2), N.Y.	7.7
Central Fidelity, Va.	7.7
Delaware Trust	7.7
Johnson County Bank, Kan.	7.7
First Asset Mgmt., Minn.	7.6
Cullen Bank, Texas	7.6
Pacific Mutual, Calif.	7.6
Bank of Delaware	7.6
LaSalle Nat'l (Inter.), Ill.	7.6
Travelers Cos. (Index), Conn.	7.6

1-year returns

	%
Boatmen's Trust, Mo.	21.2
First Variable Life, Ark.	19.1
Transamerica Life (SA T-2), Calif.	16.8
Equitable Capital (5), N.Y.	16.5
NCNB Texas (Long)	16.3
Irving Trust, N.Y.	15.8
Chase-CMB (Long), N.Y.	15.7
First Variable (HQ), Ark.	15.1
General American (SA 9), Mo.	15.0
Delaware Trust	14.6
Independence Invest., Mass.	14.5
Bank of Delaware	14.5
First Interstate of California	14.4
CIGNA Corp. (Active), Conn.	14.3
Life of Virginia	14.2
Pacific Mutual, Calif.	14.0
AmSouth, Ala.	13.8
Jefferson Trust, Ill.	13.7
Fidelity Bank, Pa.	13.5
Bankers Trust (Index)	13.5
Sunburst Bank, Miss.	13.5
Cullen Bank, Texas	13.5
First Wachovia, N.C.	13.4
Imperial Trust, Calif.	13.3
Chase-CMB (I[illegible]ex), N.Y.	13.3
New York Life (SA 4), N.Y.	13.2
Mellon Bond, Pa.	13.1
Mercantile Bank, Mo.	13.0
Bessemer Trust, N.Y.	13.0
Aetna Life (SA 7[illegible]), Conn.	12.9
The Principal, Iowa	12.8
First Asset Mgmt., Minn.	12.7
First Asset Mgmt., Minn.	12.7
IDS Trust (A), Minn.	12.7
Key Trust, N.Y.	12.7
Second Nat'l Bank, Ohio	12.7
Marine Midland, N.Y.	12.6
Texas Commerce (Active)	12.6
Harris Trust, Ill.	12.6
Midlantic, N[illegible]	12.6
Manufacturer[illegible]ntario	12.6
Bank of Okla[illegible]	12.5
Bank of New [illegible]ss.	12.5
Travelers Cos. [illegible]	12.5
First Chicago	12.5
Wells Fargo (Index), C[illegible]	12.4
Chemical Bank (Bondex I), N.Y.	12.4
Lincoln Nat'l (Corp.), Ind.	12.4
Greeley Nat'l, Colo.	12.4
Morgan Guaranty, N.Y.	12.4
Sovran Capital (Inst.), Va.	12.4
Beverly Trust, Ill.	12.3
Shawmut Bank, Mass.	12.3
Shearson Lehman G/C	**12.3**
Nat'l City Cleveland, Ohio	12.3
Wellington Trust (Gov./corp.)	12.3
Merus Capital (Flexible), Calif.	12.3
Johnson County Bank, Kan.	12.2
NCNB Nat'l Bank, N.C.	12.2
Sun Bank, Fla.	12.2
First Nat'l of Maryland	12.2
Barnett Bank, Fla.	12.2
Bank One, Indianapolis	12.2
Connecticut Bank	12.2

3-year returns

	%
First Variable Life, Ark.	13.7
Delaware Trust	12.5
Transamerica Life (SA T-2), Calif.	11.9
Beverly Trust, Ill.	11.0
Trust Co./West (High yield)	11.0
General American (SA 9), Mo.	10.4
Bankers Trust (Mtg.), N.Y.	10.2
Equitable Capital (No.5), N.Y.	10.2
Pacific Mutual, Calif.	10.1
Boatmen's Trust, Mo.	9.8
IAA Trust (B), Ill.	9.7
First Interstate of California	9.7
First Chicago	9.7
Trustmark Nat'l, Miss.	9.7
Midlantic, N.J.	9.6
Wellington Trust (Emerg.), Mass.	9.5
First Wachovia, N.C.	9.5
Aetna Life (Shares/tot.), Conn.	9.5
Harris Trust, Ill.	9.5
Mid-State Bank, Pa.	9.5
Sunburst Bank, Miss.	9.4
Cullen Bank, Texas	9.4
Mercantile Safe, Md.	9.4
SeaFirst Bank, Wash.	9.3
New York Life (SA 4), N.Y.	9.3
The Principal, Iowa	9.3
Morgan Guaranty, N.Y.	9.3
Northern Trust, Ill.	9.3
Sovran Capital (Inst.), Va.	9.3
Independence Invest., Mass.	9.2
Columbus Bank, Ga.	9.2
Summit Trust, N.J.	9.2
Marine Midland, N.Y.	9.1
Chancellor Capital (Mtg.)	9.1
Capital Trust, Ore.	9.1
Exchange Nat'l Bank, Ill.	9.1
Jefferson Trust, Ill.	9.1
Chase-CMB (Sec. mtg.), N.Y.	9.0
AmSouth, Ala.	9.0
Dominion Trust (Stable cap.), Va.	9.0
Crown Life (U.S.), Ontario	8.9
Bankers Trust (A), N.Y.	8.9
Central Fidelity, Va.	8.9
Irving Trust, N.Y.	8.9
Mercantile Bank, Mo.	8.8
Hawaiian Trust (Defensive)	8.8
Wellington Trust (Interm.), Mass.	8.8
Harris Trust (Gain), Ill.	8.8
First Nat'l of Maryland	8.8
Wheeling Dollar Bank, W. Va.	8.8
Nat'l Bank of Detroit	8.7
Chase-CMB (Long term), N.Y.	8.7
Norwest Bank, Minn.	8.7
Shawmut Bank, Mass.	8.7
Chancellor Capital (Bondshift)	8.6
Bessemer Trust, N.Y.	8.6
Trustcorp Bank, Ohio	8.6
Mellon Bond, Pa.	8.6
Fidelity Bank, Pa.	8.6
First Nat'l Mercantile (B), Mo.	8.6
Second Nat'l Bank, Ohio	8.6
Chicago Title & Trust, Ill.	8.6
Shearson Lehman G/C	**8.1**

5-year returns

	%
Boatmen's Trust, Mo.	19.7
United Capital Mgmt., Colo.	19.3
Delaware Trust	18.5
First Variable Life, Ark.	18.4
Equitable Capital (No.5), N.Y.	18.3
Sunburst Bank, Miss.	18.0
Transamerica Life. (SA T-2)	17.9
Beverly Trust, Ill.	16.8
Connecticut Nat'l Bank	16.7
LaSalle Nat'l (Long term), Ill.	16.6
Manufacturers Life (B), Ontario	16.4
IAA Trust (B), Ill.	16.4
The Principal, Iowa	16.3
Independence Invest., Mass.	16.3
First Variable Life (HQ), Ark.	16.2
NCNB Texas (Long term)	16.2

Top fixed funds by size

1-year returns

Over $100 million

	%
Boatmen's Trust, Mo.	21.2
Transamerica Life (SA T-2)	16.8
Equitable Capital (No. 5)	16.5
Chase-CMB (Long term)	15.7
Independence Invest., Mass.	14.5
Cigna Corp. (Active), Conn.	14.3
Pacific Mutual, Calif.	14.0
First Wachovia, N.C.	13.4
New York Life (SA 4)	13.2
Mellon Bond, Pa.	13.1

$50 million to $100 million

	%
Life of Virginia	14.2
Fidelity Bank, Pa.	13.5
Marine Midland, N.Y.	12.6
Midlantic, N.J.	12.6
Bank of Oklahoma, Tulsa	12.5
Travelers Cos. (Index), Conn.	12.5
Chemical Bank (Bondex I)	12.4
Barnett Bank, Fla.	12.2
Northern Trust, Ill.	11.9
Comerica, Mich.	11.8

$10 million to $50 million

	%
NCNB Texas, (Long term)	16.3
Irving Trust, N.Y.	15.8
General American (SA 9)	15.0
Delaware Trust	14.6
Bank of Delaware	14.5
First Interstate of California	14.4
AmSouth, Ala.	13.8
Jefferson Trust, Ill.	13.7
Bankers Trust (Index)	13.5
Cullen Bank, Texas	13.5

Under $10 million

	%
First Variable Life, Ark.	19.1
First Variable Life (HQ), Ark.	15.1
Sunburst Bank, Miss.	13.5
Imperial Trust, Calif.	13.3
IDS Trust (A), Minn.	12.7
Second Nat'l Bank, Ohio	12.7
Greeley Nat'l, Colo.	12.4
Hamilton Bank, Pa.	12.0
Connecticut Nat'l Bank	11.8
LaSalle Nat'l (Long term)	11.8

10-year returns

Over $100 million

	%
Boatmen's Trust, Mo.	13.9
Sovran Capital, Va.	13.5
Pacific Mutual, Calif.	12.8
Texas Commerce (Active)	12.6
Morgan Guaranty, N.Y.	12.3
Bankers Trust (Mtg.), N.Y.	12.2
Independence Invest., Mass.	12.0
Bank of New England, Mass.	12.0
Mercantile Bank, Mo.	12.0
Aetna Life (Shares/tot)	11.8

$50 million to $100 million

	%
United Capital Mgmt.,Colo.	13.6
Fidelity Bank, Pa.	12.6
Life of Virginia	12.5
Nat'l Westminster Bank, N.J.	12.0
Hibernia Nat'l, La.	11.9
Manufacturers Detroit	11.8
Bankers Trust (A), N.Y.	11.6
Bankers Trust (B), N.Y.	11.4
Massachusetts Mutual	11.2
Chancellor Capital (Inter.)	11.2

$10 million to $50 million

	%
Beverly Trust, Ill.	13.7
SeaFirst Bank	13.0
First Interstate of California	12.5
First Interstate of Arizona	12.2
Cullen Bank, Texas	12.1
IAA Trust (B), Ill.	11.8
First Wisconsin Asset	11.8
Jefferson Trust, Ill.	11.8
Boatmen's FNB Kansas City	11.7
American Nat'l Bank, Tenn.	11.7

Under $10 million

	%
First Variable Life, Ark.	16.1
Central Fidelity, Va.	12.1
Connecticut Nat'l Bank	12.0
Second Nat'l Bank, Ohio	11.6
Hamilton Bank, Pa.	11.6
Oregon Bank	11.3
Assoc. Manitowoc (High inc.)	11.1
Exchange Nat'l Bank, Ill.	11.0
Firstier Bank Lincoln, Neb.	10.8
First NH Investment (B)	10.6

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Market indexes surpass median

WAYNE, Pa. — Median portfolios in the SEI Funds Evaluation Services universe lagged market indexes for periods ended June 30, after having outperformed their benchmarks slightly in the first quarter.

In the second quarter, the median equity fund returned 7.8%, while equity portions of balanced funds had a median return of 8.1%.

The Standard & Poor's 500 Stock Index returned 8.7%.

The median bond fund returned 6.5% in the quarter and the median bond portion of balanced funds returned 7.1%.

The Shearson Lehman Hutton Government/Corporate Bond Index and the Salomon Brothers Broad Investment Grade Bond Index both returned 8%.

The median balanced fund returned 7% in the quarter.

For the year ended June 30, the median equity portfolio returned 18% and the median equity portion of balanced portfolios returned 18.9%. The S&P 500 returned 20.4%.

The median bond fund returned 10.5% for the year and the median bond portion of balanced funds returned 11.1%. The Shearson index returned 12.3% and the Salomon index advanced 12.2%.

The median balanced fund returned 14.5% for the year.

For the five years ended June 30, the median equity fund had a compound annual return of 19.2%. The median equity portion of balanced funds had 20.2%. The S&P 500's return was 20.1%.

The median bond fund returned an annualized 13.6% in the period, while the median bond portion of balanced funds returned 14.2%. The Shearson index returned 14.4% and the Salomon index had 14.8%.

In the first quarter, median equity and bond returns slightly exceeded market indexes; in the fourth quarter of 1988, median equity returns lagged the market and bond funds outperformed their benchmarks. Returns for longer periods ended March 31 were mixed, as were long-term returns for periods ended Dec. 31.

As of June 30, equity funds' median market exposure was 93.4%; their median cash position was 5.3%. Bond funds' median market exposure was 90%: their median cash position was 6.4%. Among balanced funds, the median equity exposure was 49.3%, the median bond commitment was 36.5% and the median cash position was 8.5%.

In all cases, the median asset allocations were largely unchanged from the previous quarter's mix.

Among the S&P 500 stocks, the quarter's best performers were consumer staples, returning 15.3%. Utilities returned 13.9%; building, 9.9%; finance, also 9.9%; producer durables, 9.7%; consumer discretionary, 8.6%; transportation, 8.3%; health, 6.4%; technology, 6.1%; energy, 4.8%; and materials and processing, 3.4%.

For the year ended June 30, consumer staples also led with a 47% return. Utilities had 27.2%; finance, 26.5%; health, 24.7%; transportation, 22%; energy, 19.4%; consumer discretionary, 19%; materials and processing, 10.6%; building, 9.8%; producer durables, 8.8%; and technology, 1.5%.

Among bonds in the Salomon index, as categorized by issuer type, utilities had the quarter's best return, 9.3%. Governments and agencies had 8%; mortgages, 7.8%; industrials, 7.7%; and finance, 6.9%.

For the year, utilities again led with 15.5%. Governments and agencies had 12.1%; industrials, 11.9%; mortgages, 11.8%; and finance, 11.5%.

As categorized by quality, AAA and AA bonds, including government issues, returned 8% in the quarter and 12.1% for the year. Bonds rated A returned 8% for the quarter and 12.9% for the year; BBB bonds had 7.3% in the quarter and 12.7% on the year.

As measured by maturity, long bonds outperformed for the quarter, with 11.3%, and the year, with 17.4%. Intermediate bonds had 7% for the quarter and 10.8% for the year.

Issues classified as long had an average maturity of 22.6 years and an average duration of 9.6 years; intermediate bonds had an average maturity of 5.6 years and an average duration of 3.9 years. ■

Quality

Continued from page 17

economic and interest rate environment points to a long-term trend toward lower rates with 4% on long-term Treasuries and 5.5% on home mortgages.

Alden Stewart, executive vice president at Equitable Capital Management Corp., New York, said Separate Account No. 5 holds primarily government securities. He said the duration of the portfolio is managed aggressively depending on the market outlook.

Although the portfolio could be invested in cash or long bonds, "In the last 12 months . . . we have tended to be on the long side," he said.

Chase Manhattan Bank's long-term bond fund finished in the upper decile for the quarter seventh for the 12 months with returns of 9.77% and 15.66%.

Dan Roberts, managing director and head of Chase's fixed-income group, said the fund began lengthening maturities aggressively in April, and the fund now has a 65% weighting in U.S. Treasury bonds and 35% in high-quality corporate bonds.

Mr. Roberts said junk bond funds fell in the second quarter because of "fear of bankruptcy (in junk bond issuers). It's what you might expect, there has been a flight to quality. . . . As rates drop it's generally because there is a feeling that there will be an economic slowdown or recession. . . . A slowdown is bad news for high yield bonds and is better for long-term, high-quality issues."

The NCNB Texas long-term bond fund, with $15.5 million in assets, finished the quarter in fourth place with a 9.95% return and the 12 months in fifth place with 16.33%.

Brian Blake, portfolio manager and vice president of the NCNB fixed-income group, Dallas, said the volatility in the fixed-income market could result in stronger commitments to long-term bonds.

"Forward-looking people will be in high-quality from here on, but it will be a bumpy ride due to the volatility in the market and the liquidity in the market is not the best," he said.

"The market has been so volatile, one of the best ways to go is not to day trade and second guess the market place. That has paid off for us. There have been times when I wanted to cash out and go to cash, but if I had done that we wouldn't have had the returns we've had. It will be a continued bumpy ride. It sort of reminds me of a high-beta stock fund."

The NCNB portfolio was concentrated in high-coupon Treasury issues last year, but this year he started buying U.S. government agency securities, mortgage-backed securities and Canadian Yankee bonds. ■

AmSouth, Ala.	16.2
Bankers Trust (Mtg.), N.Y.	16.1
First Chicago	16.1
Life of Virginia	16.0
First Interstate of Arizona	15.7
Harris Trust, Ill.	15.6
Northern Trust, Ill.	15.5
First Wachovia, N.C.	15.5
SeaFirst Bank, Wash.	15.4
Comerica, Mich.	15.4
Bessemer Trust, N.Y.	15.4
Pacific Mutual, Calif.	15.4
Aetna Life (Shares/tot), Conn.	15.4
First Interstate of California	15.4
Connecticut Nat'l Bank (Inter)	15.3
Merus Capital (Flexible), Calif.	15.3
Nat'l Bank of Commerce, Neb.	15.2
General American (SA 9), Mo.	15.2
Johnson County Bank, Kan.	15.2
Morgan Guaranty, N.Y.	15.1
First Nat'l Mercantile (B), Mo.	15.1
Chancellor Capital, N.Y.	15.1
IDS Trust (A), Minn.	15.1
American Nat'l St. Paul, Minn.	15.0
Marine Midland, N.Y.	14.9
Sovran Capital (Inst.), Va.	14.9
Deposit Guaranty Nat'l, Miss.	14.9
Mellon Bond, Pa.	14.9
Central Fidelity, Va.	14.9
Bankers Trust (A), N.Y.	14.8
Key Trust, N.Y.	14.8
Wellington Trust (Gov./corp.)	14.8
Confederation Life (US), Ontario	14.7
CIGNA Corp. (Active), Conn.	14.6
Hawaiian Trust	14.6
Chemical Invst. Group (1), N.Y.	14.6
Manufacturers Detroit	14.6
Nat'l Bank of Detroit	14.6
Shearson Lehman G/C	**14.4**

10-year returns

	%
First Variable Life, Ark.	16.1
Boatmen's Trust, Mo.	13.9
Beverly Trust, Ill.	13.7
United Capital Mgmt., Colo.	13.6
Sovran Capital (Inst.), Va.	13.5
SeaFirst Bank (Sea Cap), Wash.	13.0
Pacific Mutual, Calif.	12.8
Fidelity Bank, Pa.	12.6
Texas Commerce (Active)	12.6
Life of Virginia	12.5
First Interstate of California	12.5
Morgan Guaranty, N.Y.	12.3
Bankers Trust (Mtg.), N.Y.	12.2
First Interstate of Arizona	12.2
Cullen Bank, Texas	12.1
Central Fidelity, Va.	12.1
Connecticut Nat'l Bank	12.0
Independence Invest., Mass.	12.0
Bank of New England, Mass.	12.0
Mercantile Bank, Mo.	12.0
Nat'l Westminster Bank, N.J.	12.0
Hibernia Nat'l, La.	11.9
Manufacturers Detroit	11.8
Aetna Life (Shares/tot.), Conn.	11.8
IAA Trust (B), Ill.	11.8
First Wisconsin Asset	11.8
Jefferson Trust, Ill.	11.8
Boatmen's FNB Kansas City, Mo.	11.7
American Nat'l Bank, Tenn.	11.7
Key Trust, N.Y.	11.7
First Nat'l of Maryland	11.7
Second Nat'l Bank, Ohio	11.6
Bessemer Trust, N.Y.	11.6
CIGNA Corp. (Active), Conn.	11.6
Hamilton Bank, Pa.	11.6
First Wachovia, N.C.	11.6
First Chicago	11.6
CIGNA Corp. (Inter. term), Conn.	11.6
Bankers Trust (A), N.Y.	11.6
Trustcorp Bank, Ohio	11.6
Shearson Lehman G/C	**11.3**

Growth

Continued from page 17

the successful long-term performance of the equity fund was caused by buying large-cap stocks, at a modest premium, that have above-average growth and above-average quality and then trading them actively.

"We also haven't used a lot of cyclical stocks and that has helped us," said Mr. Gray. Most of the fund's holdings are in consumer staples such as food and tobacco.

PIPER is compiled by Rogers Casey & Associates, Darien, Conn. The equity universe is composed of 330 pooled funds offered by banks, trust companies and insurance companies. ■

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August 1989

This announcement appears as a matter of record only.

Investors carrying a bigger burden

By Marlene Givant Star

Institutional investors are becoming more self-sufficient as their brokers are cutting back on unprofitable services.

But brokers are stressing their international capabilities as U.S. institutions — particularly pension funds — are bolstering overseas investments.

"Essentially brokers offer institutions two key services: research and liquidity. Our latest studies show they are cutting back in both areas," said Charley Ellis, a partner of Greenwich Associates, in a preface to a survey by the firm of 530 senior investment officers and 520 head traders at more than 600 of the country's largest investing institutions.

Institutions face the prospect of brokers not favoring them, so they are placing considerable emphasis on internal research and reducing their number of brokerage relationships, the report said.

The significant decline in market liquidity in reaction to the October 1987 stock market crash, the decline in equity underwriting and commission levels and the resulting strain on smaller firms that rely on soft dollar business are squeezing brokerage houses out of the marginal institutional arena.

On the international front, however, two-thirds of institutions said there has been an increase in the amount of foreign stock information they receive from American brokers. More than half said they have received greater non-U.S. stock information flow from foreign brokers.

Liquidity in foreign stocks is up slightly because of demand for foreign stocks among U.S. institutions and the fact that many foreign markets have outperformed the U.S. market. Among corporate pension funds with more than $1 billion, 74% invested in foreign stocks in 1988, and a further 9% plan to do so in 1989, according to Greenwich.

U.S. brokers are generating foreign stock research not only for domestic clients but for those in other markets in anticipation of Europe's post-1992 deregulation.

Domestically, high equity volumes prior to 1988 offset low and falling per-share commissions but now mergers and acquisitions and equity underwriting "have been carrying as much as 50% of some firms' research costs and providing most of the big profits," noted John Colon, a Greenwich consultant.

Equity commissions at the typical institution were down 26% last year with the average institutional investor paying 9.1 cents per share and the very large ones paying only 6.5 cents. For many trades, the going rate is between 5 and 6 cents (*Pensions & Investment Age*, April 3).

The average all-in cost of execution — including commissions, spread and market impact — is 10.5 cents per share for agency trades and 11.2 cents per share for trades requiring the committing of capital, down from 11.1 cents and 11.7 cents respectively a year ago. Commission discounts continued to increase and reached 48.8% in 1988. They are expected to expand even further in 1989 to 49.5%.

Portfolio managers typically control 47% of commissions — more than four times the commission business controlled by securities analysts.

Eleven percent of institutions made use of directed commissions in 1988 but the typical institution's soft dollar allocations declined 33% to $645,000 in 1988 from $956,000 in 1987. As a proportion of total commissions, soft dollar allocations have declined to 19.6% in 1988 from 21.7% in 1987; a further decrease to 18.8% is expected in 1989. Services most commonly paid for with soft dollars include performance measurement, stock quotation systems and third-party investment research.

Commissions from trading in derivatives such as stock index options and futures fell by 51% in 1988 to $63,000 for the typical institution with the most pronounced declines among the largest institutions.

The institutional concerns that surfaced after the October 1987 stock market have not changed. Institutional investors feel that program trading does cause problems but usually not severe. Front running is more of a concern than in the past.

Institutions are more concerned now that brokers handle sensitive orders discreetly and provide good coverage of the institutions' trading desks.

Even as the average number of analysts they employ is dropping, some institutional investors are adding professionals, the report said. Investing institutions have, on average, seven portfolio managers, two traders, and three securities analysts, a slight decline from last year.

Of the portfolio managers questioned about their reliance on internal as opposed to external research, 33% say they rely chiefly on internal and 45% on a mixture; fewer than 25% rely primarily on research by brokerage firms.

Meanwhile, Wall Street isn't slacking off on its research; it's just keeping more for itself.

The Instinet trading system received high marks from large institutions but nearly 90% of institutions with less than $10 million in commissions gave strong reasons for not using it.

Among institutions with commissions over $10 million a year, 70% are using Instinet, including all those with commissions over $20 million, the report said. ■

Defaults tracked

Bond defaults by issuers rated speculative grade were much more frequent on average than defaults by investment-grade issuers during the 19 years from 1970 through 1988, according to Moody's Investors Service.

The extensive study of default rates found that each year during that period, an average of 3.3% of all speculative-grade issuers defaulted on long-term bonds, compared with the 0.06% default rate for investment-grade bond issuers. Ten-year default rates averaged 17% for speculative-grade issuers compared with 2% for investment-grade issuers.

Moody's studied all issuers of bonds rated by the agency, including long-term U.S. and Eurodebt. It is the most extensive study of corporate bond defaults to be published in three decades. The universe grew from 950 issuers in 1970 to 2,800 issuers at year-end 1988 and included more than 3,000 companies, agencies and sovereign nations.

The Moody's study differs from three other well-known and often cited bond default studies.

Moody's found default rates in the past 19 years were less than half as severe as those reported in W. Braddock Hickman's 1958 study of U.S. market bond defaults from 1912 to 1944. Mr. Hickman's higher rates might be caused in part to the very high default rates during the Great Depression, Moody's said.

The rating agency's study found marginally higher default rates than those reported in a study by Edward Altman and Scott Nammacher, published in 1985 with annual updates. Part of the difference is attributed by Moody's to the fact the Altman-Nammacher study did not include distressed exchanges in their default statistics.

The Moody's study found somewhat lower default rates for speculative-grade issuers, compared with those reported earlier this year by Paul Asquith and colleagues of Harvard University.

The comparisons can be misleading, however, because the Harvard study focuses on new issues and the sampling was smaller, while Moody's data pertain to defaults among all speculative-grade issuers in each period and cover many more issuers.

In all the Moody's study revealed 222 issuers defaulted on long-term debt between 1970 and 1988, including both direct failures to pay one or more debt obligations and distressed exchanges in which a default would have occurred had bond investors not received early repayment via preferred stock or some other diminished obligation.

In total, defaults by 17 corporate issuers were precipitated by special events such as takeover-related activity and litigation. However, Moody's said the events did not have a significant impact on overall default rates during the study period.

The Moody's study confirms earlier bond default research, which found progressively lower rated issuers have significantly higher default rates than do higher rated issuers, especially among the speculative-grade categories.

Moody's research also found the variability of default rates increased markedly for lower-rated issuers. ■

May 22 directory errors listed

Editor's note: *Since the publication of the May 22 money managers profile issue, the following corrections and clarifications have been noted by the firms profiled and the* Pensions & Investment Age *staff:*

- All figures reported in the **manager rankings** on Pages 3-8 represent discretionary assets under management only.
- The **discretionary tax-exempt assets** reported in the Page 1 story for the Top 200 and Top 500 managers were incorrect. The correct totals are $1.56 trillion and $1.83 trillion, respectively.
- **Aetna Life Insurance Co.**'s total discretionary assets should have been $72.788 billion.
- **Argus Investment Management** does not use sector rotation. It selects each individual equity on its own merit and broadly diversifies to avoid excessive concentrations.
- **Chase Investors Management Corp.**'s assets under management for the U.S. institutional, discretionary, tax-exempt funds as of Dec. 31, 1988, should have been reported at $13.9 billion. There were 217 separately managed accounts for a total of $6.9 billion and 200 clients in commingled funds for a total of $7 billion.
- **Markston Investment Management**'s investment style was stated incorrectly. Markston Investment, an equity manager, uses Graham & Dodd analysis with growth and low p/e stocks, investing in businesses whose profitable goods and services generate the cash necessary for research, development and capital needs. Markston offers a fundamental, high-yield bond portfolio.
- **Mt. Auburn Management** does not make use of options or stock index futures.
- **New York Life Insurance Co.** doesn't offer dedicated/immunized portfolio capabilities.
- **Security Pacific Investment Managers Inc.**'s total discretionary assets under management totaled $4.457 billion. U.S. institutional, tax-exempt discretionary assets should have been reported at $4.163 billion, representing separate accounts for 34 U.S. clients. The tax-exempt asset mix was 31.5% equities; 39.6% bonds; 18.1% cash; 5% mortgages; and 5.8% mortgage-backed securities.

Tax-exempt mortgage assets managed totaled $209 million; mortgage-backed securities were $243 million; and dedicated/immunized bonds were $450 million.

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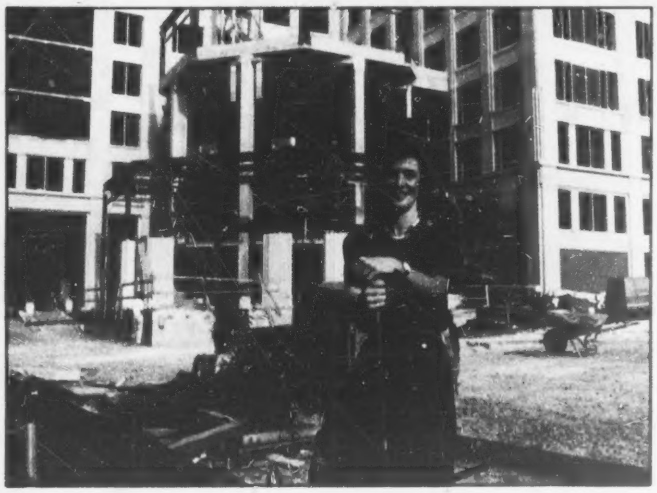

Cynthia Hargadon, in front of what will be ICMA's new headquarters, oversaw the reconstruction of the association's $1.3 billion defined contribution plan.

ICMA rebuilds retirement plan

By Leonard J. Hollie

WASHINGTON — The International City Management Association Retirement Corp., Washington, is restructuring its $1.3 billion defined contribution plan, bringing in innovations usually seen only in defined benefit plans.

The plan includes a $1.2 billion 457, and $114 million in its 401(a) and 401(k) accounts.

ICMA allocated $157 million to three new stock managers to emphasize growth and remove the volatility retirement corporation officials believe results from having a variety of investment management styles. Fund officials also added a South Africa-free stock index fund, and are planning other structural changes later this year.

"It just seemed to make more sense that growth stock was the style and the discipline that we needed to add to this fund," said Cindy Hargadon, vice president and chief investment officer for ICMA.

"The multimanager approach is new to the defined contribution area," said Mary Ann Johnson, president of Tremont Partners Inc., New Canaan, Conn., who assisted on the manager search and continues to help with planning and implementation for ICMA's retirement plans.

"A lot of plan sponsors have chosen one-stop shopping. They go to one mutual fund and assume that all the managers are good there," she said. "Some managers are better than others, and by

Continued on page 38

401(k) assets up 20% in '88

GICs most popular option

By Trudy Ring

Assets of 401(k) plans rose almost 20% during 1988, while mutual funds and guaranteed investment contracts continued to dominate as the most-used investments, a survey by *Pensions & Investment Age* shows.

The survey drew responses from 232 corporations, of which 207 offer a 401(k) plan and two are considering starting one.

Total assets of the plans in the survey grew $8.1 billion, or 19.85%, to $40.8 billion in 1988. Assets of the average plan grew $39.9 million, or 25%, to $200 million.

"That's certainly an exceptional rate of growth, but it shouldn't be surprising, for two reasons," said Ron Jones, partner of Hewitt Associates, Lincolnshire, Ill. The growth is on a relatively small base of assets, and there might have been some new plans formed in 1988, he said.

Still, the $40.8 billion is a large number for just 207 plans, indicating the plans have had phenomenal growth, said Mary Ann Johnson, president of Tremont Partners Inc., New Canaan, Conn.

The survey also showed that five major insurers, three index fund managers and three firms with big mutual fund operations are the most commonly used providers of investment services. The insurance company representation, however, likely is understated because many respondents did not identify the multiple insurance companies providing GICs to their funds.

The listing of insurers is logical because of the popularity of guaranteed investment contracts for 401(k)s — of the plans surveyed, 159 offer a GIC option. The second most popular option, offered by 129 plans, is active equity management, which often is accomplished through mutual funds. The third-place finisher was company stock, offered by 111 plans.

The listing of managers is "exactly what you would expect," Ms. Johnson said. She noted that even some of the non-insurers on the list offer portfolios of GICs. These include the top three, Fidelity Management & Research Corp., Boston; The Vanguard Group Inc., Valley Forge, Pa.; and Bankers Trust Co., New York. Further down the list, T. Rowe Price Associates Inc., Baltimore, has a GIC management subsidiary, T. Rowe Price Guaranteed Asset Advisers Inc., Clen Allen, Va.

Ms. Johnson said GICs have attracted about 70% of 401(k) assets, a statistic she finds distressing because almost no pension fund executive would put

Continued on page 36

401(k) plan survey

Investment options	No. of plans
GIC	159
Active equity	129
Company stock	111
Money market fund	75
Active bonds	63
Indexed equity	57
Balanced management	50
Int'l equity	10
Real estate fund	1

Type of investment manager

	No. of plans using
Insurance companies	131
Mutual funds	91
Other (Incl. company stock)	74
Banks	72

Firms most commonly used

For investment	No. of plans
Fidelity Mgmt. & Research	36
Vanguard	31
Bankers Trust	21
Aetna Life	18
Wells Fargo	14
Travelers	14
Metropolitan Life	13
New York Life	13
T. Rowe Price	11
State Street Bank	10
John Hancock	10
For administration	
Hewitt Associates	22
Bankers Trust	18
Mercer Meidinger Hansen	9
Wyatt	8
T. Rowe Price	7
Vanguard	7
Buck Consultants	7
Fidelity Mgmt. & Research	6
Ameritrust	5

Screening firms

Execs balance an array of needs

By Leonard J. Hollie

401(k) plan sponsors select asset managers based on ability, investment process and cost, while choosing investment options that offer their employees the greatest diversification.

At Sandoz Corp., New York, for example, James Woods, manager of corporate finance and pension funds, said Fidelity Management Trust Co., Boston, was hired for the plan's guaranteed investment contract fund, because of "its reputation, and because of their process, which was very important."

He said the company had a rational and a systematic way of looking at the market and at Sandoz' portfolio. "They gave us a strong rationale for how and when to make changes in the portfolio," he said. The fee structure also was a factor. "We suggested that the fees be competitive and they were," Mr. Woods said.

Lawrence Cavanaugh, director of employee benefits at United Technologies Corp., Hartford, Conn., said the company chose Bankers Trust Co. — Investment Management Group, New York, 11 years ago to manage the equity fund, because "they demonstrated the greatest ability and the greatest experience."

And at Reynolds Metal Co., Richmond, Va., Richard Turochy, manager-pensions financial administration, said the company was looking for someone who could run its fund as economically as possible when it hired Wells Fargo Investment Advisors, San Francisco, to manage its equity and fixed-income index funds. "They were able to do the kind of crosstrading of stocks that is necessary without charging large commissions," Mr. Turochy said.

When looking for plan providers, Mary Ann Johnson, president of Tremont Partners Inc., New Canaan, Conn., said it is very important to define what the choices are and how they will be structured, and to communicate the objectives of the plan to the employees.

Ms. Johnson, who acts as a consultant to many companies that start 401(k) plans or that expand options already offered, said 80% of the decision of what options to offer is administrative and 20% is an investment decision. She said

Continued on page 38

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Assets up 20%

Continued from page 35

70% of defined benefit assets in GICs. Participants in 401(k) plans, however, view GICs as a secure investment, she noted. Ms. Johnson added she's encouraged by the number of plans offering an active equity choice.

For equity or other types of management, mutual fund companies have an advantage because either the entire company or an individual fund is well known to plan participants, Mr. Jones said. Also, asset values are available daily, and the funds can handle the liquidity needed by 401(k) plans.

The mutual fund complexes and other frequently used companies also offer a wide variety of investments. "We have as broad, or
broader, an array of offerings
anyone in the industry," said
Gately, senior vice president-
stitutional, Vanguard.

Vanguard uses other mon
management firms to run seve
of its funds, he added, giving p
participants access to investm
talent that often is not availa
to small, individual investors.

Ability to offer other servi
such as administration and tru
eeship, also helps investm
managers get 401(k) busine
"Companies often are interes
in having all of the services p
vided by one organization," s
Joan Green, senior vice presid
in Bankers Trust's global fidu
ary services group. The firm v
the second most frequently u
for administration among resp
dents to *P&I Age's* survey.

Fidelity also has the ability
offer one-stop shopping throu
its various affiliates, includi
trusteeship through Fidelity Ma
agement Trust Co., said Rob
Reynolds, president of the nev
formed Fidelity Institutional
tirement Services Co. The n
subsidiary is dedicated to the
fined contribution market, es
cially 401(k) and 457 plans, a
coordinates services from oth
areas of the company, such as m
tual funds from Fidelity Mana
ment & Research and trustees
from the trust company.

Fidelity and Vanguard plac
among the top providers of a
ministrative services to 401(k
consulting firms also were pop
lar, with Hewitt Associates pl
ing first among everyone in
survey.

The mutual fund compani
most popular investment offeri
in the 401(k) market are th
most famous funds — Fidelit
Magellan, Equity Income a
Freedom funds and Vanguar
Windsor fund.

Ms. Green said Bankers Tr
also has had success with mon
market and GIC funds, as well
with index funds — which pl
sponsors use as a conservative e
uity option — and active mana
ment of company stock. Va
guard's Mr. Gately added
firm's indexed stock fund h
gone over big.

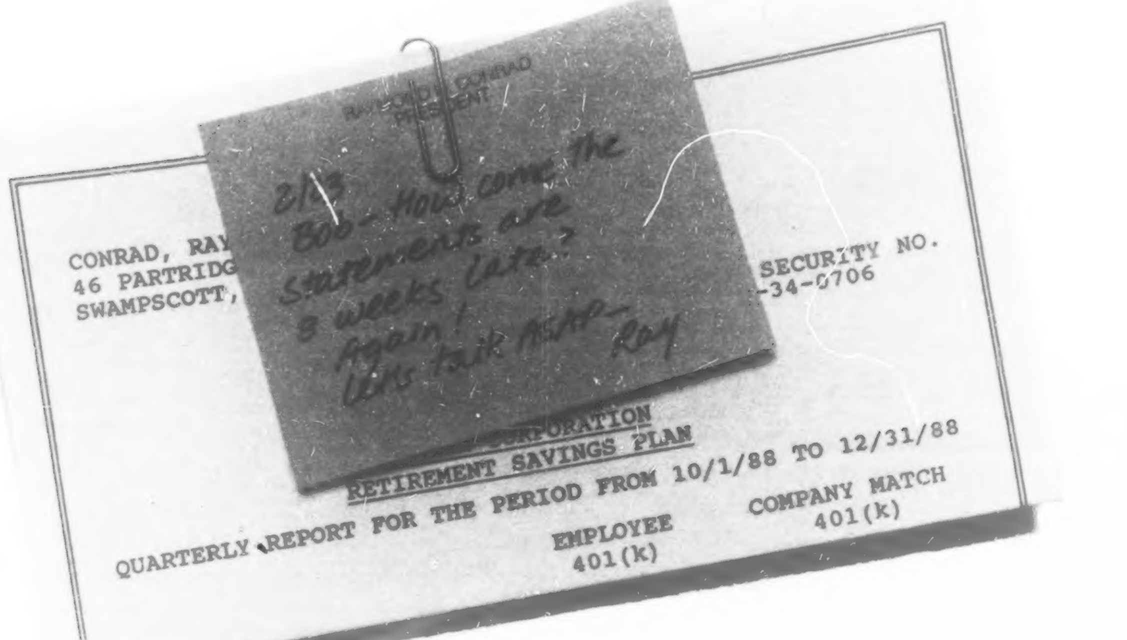
While alternative investme
have made few inroads into 401
plans, some managers are wo
ing on such options. Bank
Trust is developing a pooled r
estate fund for 401(k)s; it lik
will be available to investors
October, Ms. Green said. Al
like some other managers, it
ready has the capability to of
international equity or fixed-
come management to 401(k
Only 10 plans in the survey of
an international option, and j
one has real estate.

Overall, 131 of the plans s
veyed use insurance compan
for money management, not s
prising considering the predo
nance of GICs. A total of 91
mutual fund companies, 72
banks and 74 use "other," a ca
gory that includes managers ho
ing company stock.

A total of 99 plans have m
manager changes during the
of the plan, and 76 have chan
administrators. The average
of the plans surveyed is 5.1 yea

Of the plans reporting, 86 h
company contributions direc
by employees and 75 have th
directed by the employer. Anot
32 have no employer contributi

A total of 128 sponsors offe
defined benefit plan in additio
the 401(k). Only 11 offer anot
defined contribution plan ai
while 48 offer the 401(k), a
fined benefit plan, and anot
defined contribution plan.



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Riots aside, Hong Kong is near top

By Barry B. Burr

SYRACUSE, N.Y. — The Tian- amen Square massacre ap- rently notwithstanding, Hong ong offers by far a better market r commerce during the next five ars than the United States, nada, Japan and virtually all e rest of the world, according to international business climate recast.

On the other hand, *glasnost* and *restroika* and the other such ws emanating from the Soviet nion and Eastern Europe about e decline of communism have d no influence in improving the ting of that region, in general, spite the popular optimistic rception. In fact, the Soviet nion and most of the other East- n Bloc states rate the worst in least five years.

The forecast, produced by Polit- al Risk Services, a division of CUSA Inc., gives Hong Kong a ting of 94, a near-top score sed on a scale of zero repre- nting the most unfavorable cli- ate for international business d 100 representing the most fa- rable.

Hong Kong's rating rose from a last year, despite the massacre students in Beijing that sent the ong Kong stock market reeling.

By contrast, the International Business Climate Index rated the United States at 84, Canada 78 and Japan 85.

Of the 85 countries surveyed, only four attained better ratings than Hong Kong. Singapore, Norway, the United Kingdom and West Germany all were rated 96.

China was rated 56, down from 67 last year, and the lowest of the Asian countries surveyed. China, however, tied with or rated ahead of 12 other countries, including Turkey (53), El Salvador (53), Brazil (53), Ecuador (50) and Argentina (38), the country that attained the dubious distinction of being — by a wide margin — the lowest in the index.

The index represents a five-year forecast based on projections of turmoil, investment conditions, foreign trade policy and domestic and international economic policy. In all, 17 factors contribute to the index.

William D. Coplin and Michael K. O'Leary, professors in the Maxwell School of Citizenship and Public Affairs, Syracuse University, developed the index, which they've prepared annually since 1985.

Mr. Coplin said Hong Kong rates high because its business climate looks good for the five-year horizon the index considers.

"Nothing's going to happen for eight years," he added, referring to 1997 when Hong Kong reverts to Chinese rule.

As for China, he said, "We don't think the government has much control of the economy. There are still restrictions on international business. Regulations are uneven (applied to different degrees by different regions) and unreliable. Labor conditions and skills still aren't very good. In addition, they are constrained by the shortage of foreign exchange."

In Eastern Europe, despite further opening to the West, he said the lack of foreign exchange there also is a serious impediment. Besides, "they don't seem to have the political capacity to make changes," he added.

Mr. Coplin said he hasn't made any comparisons of the index and stock market and other investment returns in the countries. He said it's a relationship he would like to study, but noted the international business climate may have little explicit influence on stock market returns. Singling out Japan, he noted its stock market boomed while it restricted international business and imports.

Overall, the world average is at 70, the same level as last year.

Breaking the 85 countries down by region, the index gives the 21 Western-oriented industrial countries of the Organization of Economic Cooperation and Development an average rating of 85, up from 84 last year.

The eight Eastern European countries average 68, down from 75 last year and their lowest rating in at least five years. They are led by Czechoslovakia and Yugoslavia, both at 76, the only two countries in the region to improve in the ratings since last year. The Soviet Union rates 63, down from the 76 it had since 1985.

The 11 sub-Saharan African countries averaged 60, down from 61 last year. They are led by Gabon at 76 and trailed by Zambia at 49. South Africa rates 56.

The 13 Mideast countries, including those in North Africa, averaged 64, up from 63 last year. They are led by the United Arab Emirates at 76 and trailed by Egypt and Syria, both at 53. Israel has the second best rating in the region at 74.

The 12 Asian countries averaged 74, up from 70 last year.

The 11 Central American and Caribbean states averaged 67, up from 64 last year. They are led by Puerto Rico at 93; Mexico is second at 75. At the low end is El Salvador at 49 and the Dominican Republic at 57. ■

International Business Climate Index
(selected rankings)

	1989	1987	1985
Argentina	38	52	62
Australia	81	82	83
Brazil	53	49	62
Canada	78	76	85
Chile	68	46	40
China	56	61	67
East Germany	57	74	74
France	93	78	67
Hong Kong	94	94	78
Hungary	75	77	79
Italy	85	83	74
Japan	85	87	82
Mexico	75	49	51
Philippines	63	48	38
Poland	60	64	54
Singapore	96	93	85
South Korea	68	64	58
Spain	79	78	74
Taiwan	90	87	80
United Kingdom	96	85	76
United States	84	90	89
USSR	63	76	76
Venezuela	59	58	64
West Germany	96	94	88
Yugoslavia	76	75	74

Source: Political Risk Services, division of IBCUSA Inc., Syracuse, N.Y.

ndexers catch alf the picture

By Remi J. Browne

Eastern philosophies teach that to create a fruitful whole, ere must be components of both n and yang, or passive and ac- e.

Managers of passive funds acking the Morgan Stanley Capital International Europe Australia Far East Index, heavily weighted with Japanese stocks, have produced excellent results during the past several years. But could they have done better by introducing a yang element to their portfolios? I say yes.

emi J. Browne is vice esident-enhanced ternational funds department State Street Bank & Trust o., Boston.

Taking the EAFE index as a departure point and applying the methods of "bottom fishing," that is, investing in low-multiple equities, one can consistently add value to the index without incurring a significantly higher degree of risk.

Many investors are familiar with some of the studies on the incremental return on low multiples as well as Benjamin Graham's theories focusing on price and book value and other fundamental analysis.

Most of the work in this area has focused on the U.S. market. I think we can apply some of the theories of these financial pioneers to foreign markets.

To test the ideas, my colleagues and I used data for more than 1,000 companies in the EAFE universe for the nine years ended Dec. 31. The data include two price multiples — price to earn-

Continued on page 48

	Compound annual return above universe	Countries with excess return
TABLE A		
Price-to-book value	5.8%	13
Price-earnings	2.4	12
TABLE B		
Price-to-book value (Industry controlled and market weighted)	3.7	13
TABLE C		
Price-to-book value (10% industry controlled and equal weighted)	6.1	15

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PENSIONS & September 4, 1989

InvestmentAge

The newspaper of corporate and institutional investing $4 an issue - $110 a year

1989 vs. 1987 . . .

More than the capital markets have changed in the two years between record stock market highs.

A comparison of newspapers the day after the new all-time high — set Aug. 24, 1989 — and the day after the previous record — set Aug. 25, 1987 — yielded the following tidbits:

- The 1989 stock market record made the front page of the New York Times, along with stories on photos of Neptune, the new non-communist Polish government and the drug crackdown in Colombia. In 1987, the stock market didn't even make the Times' front page.
- The Dow Jones Industrial Average's new high was the lead item of The Wall Street Journal's "What's News" column last month. But the day after the market's record two years earlier, the lead item was on OPEC.
- On Aug. 25, the Detroit Tigers had the worst record in major league baseball, with a winning percentage of 0.367. On Aug. 26, 1987, Detroit was No. 1, with 0.597.

Confidence greets new high

Worries on market hard to find

Institutional investors remained confident about the stock market as it reached a new high almost exactly two years after the previous record was set.

The earlier record was followed within two months by an unprecedented market plunge, but the market is less overvalued and risky than it was two years ago, some institutional investors say.

Interest rates and price-earnings ratios are lower now than they were in 1987, and the fear of recession has eased, they said. A few expressed concern about program trading, but more on its potential to accentuate short-term market moves than on its effect on overall market attractiveness.

One reason pension fund executives appear relatively unconcerned about the new high is that the average pension fund's equity exposure is significantly lower than it was two years ago, although higher than in December 1987. According to the Employee Benefit Research Institute, Washington, in August 1989 the average equity exposure of private funds was 39.1%, while in August 1987 it was 42.4% and in December 1987 it was 36.2%.

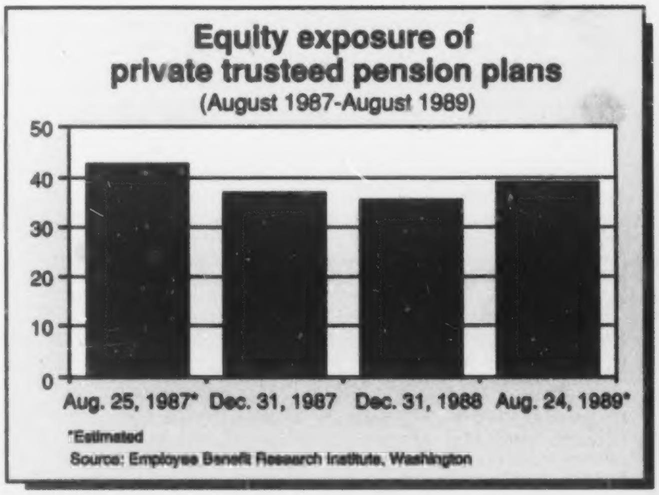
Reflecting the relative lack of concern, however, a number of money management firms and internally managed pension funds have higher equity exposures than they did at that time.

- Harris Bretall Sullivan & Smith Inc., San Francisco, is fully invested in its equity accounts, while it was at its maximum cash position — 75% — two years ago. Its balanced accounts, whose parameters vary by client, are also at their equity maximum.
- Matrix Capital Management, Greenwich, Conn., has its tactical asset allocation accounts at an average of 65% equities, vs. 35% to 40% in 1987.
- First Chicago Investment Advisors, while somewhat underweighted in stocks, is far less so than two years ago. Its domestic equity portfolios are 85% invested, compared with 48% in late August 1987; its multiasset portfolios have 31% in U.S. stocks and 8% in foreign stocks, compared with 18% and 5%, respectively, two years ago.
- Bankers Trust Co. — Investment Management Group, New York, sees its tactical asset allocation model indicating an overweighting in stocks. For an account whose benchmark weighting is 55% stocks, the model calls for 67% stocks. On. Aug. 1, 1987, it called for 74% stocks, but this dropped to 62% by September and 35% by October.
- The LTV Corp., Dallas, has its internally managed equity accounts 94% to 95% invested in the market, compared with 85% in August 1987. In 1987, it also terminated some external managers, raising its overall cash position to 30% by the time of the October crash.
- The Teacher Retirement System of Texas, Austin, is at 42.5% equities and is trying to reach its equity maximum, 45%. It was at this maximum early in 1987, but cut back to 40% after the August market peak.

There are several key differences between today's stock market and that of two years ago, investors said.

Interest rates were rising then, but are stabilizing now after a decline, said Harry

Continued on page 54


Equity exposure of private trusteed pension plans
(August 1987-August 1989)

*Estimated
Source: Employee Benefit Research Institute, Washington

Crushed by the weight

15 years later, is ERISA too much of a good thing?

IN
OUT
ERISA
Illustration by Kurt Mitchell

By Joel Chernoff

On March 1, ACO Inc. buried its defined benefit plan. Cause of death: fifteen years of ERISA complexities.

Citing a plethora of government regulations that made maintenance of the retirement plan too burdensome and expensive, the retail hardware store chain based in Farmington Hills, Mich., terminated the $2.3 million plan, leaving its 750 full-time employees reliant solely on its 401(k) salary reduction plan.

When enacted in 1974, the Employee Retirement Income Security Act imposed "a necessary burden" of governmental oversight, explained William Aiken, ACO chairman and chief executive officer.

"It is the legislation (and regulations) subsequent to that that have made the whole arena of providing retirement benefits extremely onerous."

Since President Gerald Ford signed the landmark legislation into law, it has become so cumbersome and complex many employers just want to throw up their hands.

Instead of encouraging formation of defined benefit plans — which most pension experts cite as the best type of retirement plans — creation of new plans is at a standstill. And defined contribution plans, which shift the investment risk to participants, are growing.

Since 1982, ERISA has been amended no less than seven times, imposing new and sweeping requirements on employers in such areas as funding, contributions, vesting and non-discrimination rules.

But most of the major changes were in sections of the tax code that govern benefit plans. In too many instances, pension experts say,

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A full shopping cart
Fund goes on buying spree for international stocks - 17

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LATE NEWS

Rumor hinting at UAL buy-out

CHICAGO — Late last week, reports were circulating that UAL Corp. would be taken private in a management-led buy-out that would include an ESOP share to be financed with surplus pension assets. UAL officials and union leaders would not confirm the reports.

The reported proposal appears similar to one put forth by the Air Line Pilots Association in 1987. At that time, the union made a bid for the airline, to be financed in part by a leveraged employee stock ownership plan funded with a reversion from the pilots' overfunded defined benefit plan.

According to its latest annual report, pension plans at UAL had $1.65 billion in assets and $1.12 billion in accumulated benefit obligations as of Dec. 31, for a surplus of $527 million. A decline in interest rates since then, however, could have increased the obligations by about $220 million, *Pensions & Investment Age* estimates, decreasing the surplus by that amount.

Reportedly, the pilots' $1.2 billion defined contribution plan also would play a role.

The ESOP would own 60% of the company.

The pilots union's master executive committee met Aug. 31, but the union would not disclose what transpired. UAL executives denied knowledge of such a plan, while another union representative, at the Association of Flight Attendants, said she had heard the rumors but did not know if they were true.

Time, Warner investors air gripes

NEW YORK — Institutional shareholders of Time Inc. and Warner Communications Inc. held an energetic discussion about their concerns that boards of directors will reject more takeover bids as a matter of course in light of the Delaware Supreme Court's ruling allowing the $14 billion merger of the two media and entertainment giants. But they did not agree on a course of action to register their discontent.

The Aug. 24 meeting in New York was spearheaded by Institutional Shareholder Services Inc., a Washington consulting firm whose clients include public pension funds with holdings in the two companies.

In July, the Delaware Supreme Court gave Time and Warner the green light to merge, effectively derailing Paramount Communications Inc.'s hostile $12 billion bid. The court also affirmed the right of the board of directors to control the fate of the company in an unfriendly takeover and allowed it to reject a hostile bid because a long-term strategic plan was in place.

Some institutional investors fear the court ruling will lead to fewer mergers — and thus fewer opportunities to reap the rewards of ownership in mergers or takeovers.

3 more execs join Trust Advisory

WESTPORT, Conn. — Three more executives associated with Evaluation Associates Investment Management Co., Norwalk, are joining Trust Advisory Group, the investment firm started by three former top EAIMC officials.

Frank W. Siegel, formerly a trust officer at Huntington Trust Co., Columbus, Ohio, who had served as a special projects consultant to EAIMC, has been named manager of Trust Advisory Group's Midwest office in Westerville, Ohio, according to James C. Ryan, president of the firm, which is based in Westport.

Greg Franklin, former client service analyst at EAIMC, joined Trust Advisory Group as director of analytical services. Debbie Jenestreet, former office manager at EAIMC, has joined Trust Advisory Group in the same capacity.

Trust Advisory Group was formed July 31 by Mr. Ryan, former president of EAIMC, the bank funds management arm of Evaluation Associates Inc., along with Mark Portnoy and Mark Tonnucci, both senior vice presidents at EAIMC.

Robert P. Watson previously was named the new president of EAIMC. A spokeswoman for the firm said replacements for the other executives are in the process of being selected.

State Street gets custodian job

WASHINGTON — The $210 million U.S. Army Non-Appropriated Fund Employee Retirement Plan Trust has picked State Street Bank and Trust Co., Boston, as its custodian, replacing Sovran Bank, Richmond, Va., said William Brantley, chairman of the board of trustees.

The transfer is expected to occur Oct. 1. The Atlanta office of Callan Associates Inc. was the consultant.

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Vol. 17, No. 19 — Pensions & Investment Age (ISSN 0273-5466) is published biweekly with a special edition in May, at 740 Rush St., Chicago, Ill. 60611. Second class postage paid at Chicago, Ill. and at additional mailing offices. Postmaster: Send address changes to Pensions & Investment Age, Circulation Dept. 965 E. Jefferson, Detroit, Mich. 48207.

Questionnaires are in the mail

Questionnaires have been mailed for *Pensions & Investment Age's* annual consultants directory. In order to be included in the Nov. 13 directory, completed questionnaires must be returned by Sept. 15. If you have any questions or have not received a questionnaire, please call Christine Philip, directory coordinator, at (312) 649-5217.

BICs win 10% of GIC market

By Fred Williams

The banking industry has solidified its position in the short-term guaranteed investment industry, capturing about 10% — or about $2.6 billion — of the assets allocated to guaranteed investment products during the 13 months ended July 31.

As banks have gained market share and improved their pricing methods, however, the spread between short-term bank contracts and similar GICs has narrowed.

More banks have started bidding for guaranteed income accounts in competition with insurance companies, pulling in a total of about $10 billion of the estimated $150 billion guaranteed investment market, according to insurance industry estimates. Industry sources said as many as 80 banks offer guaranteed investment products, up from about 20 only one year ago.

While the number of banks willing to bid has increased, sources noted only about a dozen, mainly money-center banks, are major BIC underwriters.

The defeat in Congress of an insurance industry-backed measure to put a two-year moratorium on federal pass-through insurance for pension fund investments in BICs apparently cleared the way for smaller banks to enter the bidding by offering the additional benefit of coverage by the Federal Deposit Insurance Corp. of up to $100,000 per participant in each plan.

Insurance industry sources warn, however, they again will seek a ban on FDIC coverage for BICs as early as next year, depending on the outcome of three studies of federal pass-through insurance and the involvement of banks in the guaranteed marketplace. The studies were ordered in the new thrift bailout law.

Studies by the FDIC and General Accounting Office are due in early 1990; a third, by the Department of the Treasury, is due in 1991.

The FDIC study is expected to mirror FDIC Chairman William Seidman's position favoring FDIC coverage of BICs.

The insurance industry was "shocked," according to one major insurance company executive, by the findings of a survey of business lost to banks by a major GIC issuer. The study found that between June 1, 1988 and July 31, 1989 banks captured nearly $2.6 billion away from GICs.

The survey showed 16 banks wrote contracts with average contract terms of 2.26 years. Bankers Trust Co. wrote 26 contracts during the period, followed by Citibank with 12, Manufacturers Hanover Trust Co. with 8, and Union Bank of Finland with 7.

Future gains in market share may be more difficult to obtain, however, as the spreads between short-term BICs and GICs have started to erode.

Data from Mercer Meidinger Hansen Asset Planning Inc., Dallas, shows the spread on an average $1 million compound interest three-year BIC over a similar GIC

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Spread narrows between BICs and GICs*

	January '89	July '89
3-year	31	10
5-year	12	5
7-year	5	2

* figures shown in basis points for $1 million compound contract

Source: Mercer Meidinger Hansen Asset Planning Inc., Deerfield, Ill.

More funds drop MERUS

Exodus of personnel simply too much for some

By Steve Hemmerick

Two additional pension funds are withdrawing a total of $205 million from MERUS Capital Management after rejecting the money management firm's claim that a recent exodus of seven staff members didn't hurt its investment capability.

Trustees for the $9 billion Los Angeles County Employees' Retirement Association said they will give 30 days notice that they are taking back their $180 million with MERUS as soon as they can reach an agreement with a firm to handle the assets. They are negotiating with INVESCO Capital Management, Atlanta, to handle the assets.

The trustees made the decision to leave MERUS because they believe the firm no longer meets their criteria of having a five-year investment track record and adequate professional staffing.

The $550 million Houston Municipal Employees' Pension Plan is withdrawing its $25 million allocation from MERUS and will distribute it among the fund's other equity managers.

Louise Mitchell, pension plan administrator, said trustees are making the move because the current MERUS staffers are not the people Houston hired, and the people who left were critical to the investment process.

In addition, officials of two other pension funds — the $1.5 billion New Mexico Public Employees' Retirement Association, which has $230 million with MERUS, and the $2.2 billion Louisiana State Employees' Retirement System, which has $190 million with MERUS — said they have scheduled meetings with MERUS executives to discuss the personnel changes.

Earlier, the $700 million Federal Express Corp. pension fund pulled its $65 million equity portfolio from MERUS, and MERUS officials said another client also left, but they wouldn't identify the client.

MERUS, a division of the Bank of California, has about $1.2 billion in tax-exempt assets, and is an active equity and balanced manager.

But officials at the firm did receive some good news when trustees for the $1.8 billion Los Angeles Water & Power Employees' Retirement Plan decided to retain MERUS as manager for $245 million.

Kathleen Thornton, assistant retirement plan manager, said fund trustees decided to stay with MERUS' "very disciplined" investment approach — but will monitor the situation — because they hired an investment discipline, not an employee "star system."

The man who started the exodus from MERUS, former chief investment officer Anthony E. Spare, said his old firm is only a shell of what it once was because the key investment personnel

Continued on page 54

KKR suit draws yawns

By Marcia Parker

Institutional investors in Kohlberg Kravis Roberts & Co.'s multibillion-dollar leveraged buy-out funds are largely unconcerned about a lawsuit filed by a KKR founder who has split from the world's premier leveraged buy-out firm.

In the suit, Jerome Kohlberg Jr. alleges he, and possibly other KKR limited partners, lost out when KKR recapitalized five portfolio companies, trimmed Mr. Kohlberg's stake and redistributed the ownership interests to other KKR associates.

Mr. Kohlberg left KKR in 1987 and set up his own investment firm, citing philosophical differences. He retained an interest in the firm and its transactions.

In the lawsuit filed in New York State Supreme Court Aug. 22, Mr. Kohlberg alleged his existing share of investments in five KKR companies was "wrongfully and unilaterally reduced" when KKR refinanced the companies.

The companies are: Marley Co., a manufacturer of heat exchange equipment and fluid handling equipment that was taken private in 1981; Houdaille Industries, Inc., a maker of engineered mechanical seals, molded packing and other industrial products that was taken private in 1979; Idex Corp., another industrial products firm KKR bought in 1988 and expanded by acquiring six related companies; Pacific Realty Associates, a real estate investment firm with Oregon properties, that was taken private in 1983; and M&T, another real estate firm with California properties.

Most KKR investors, including officials of several large state and private pension funds, insurance companies and university endowments, said they do not believe KKR boosted the ownership stake of the firm or its associates in any of the five deals at their expense or that they were shortchanged. They said they are satisfied with the hefty returns they have had on their KKR investments in companies they consider well managed, growing and strong performers.

One investor called a rash of recent bad press about troubles at the world's largest buy-out firm nothing more than "KKR bashing." Recent news stories have focused on the financial ailments of Seaman's Furniture and SCI, both KKR companies, and on Mr.

Continued on page 55

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Few tears shed on loss of IPCs

By Trudy Ring

The cessation of trading in index participation contracts won't be a great loss to institutional investors, but it might hasten a shakeout among financial market regulators.

The U.S. Court of Appeals for the 7th Circuit, Chicago, ruled Aug. 18 the contracts are futures and fall under the jurisdiction of the Commodity Futures Trading Commission, not the Securities and Exchange Commission, which had approved them in May. Two futures exchanges, the Chicago Board of Trade and the Chicago Mercantile Exchange, had appealed the SEC's approval.

After the ruling, the Philadelphia Stock Exchange and the American Stock Exchange announced they would limit trading of the contracts, with a few exceptions, to transactions to liquidate positions, pending further notice. According to the court decision, all trading must cease at the end of September.

The contracts did not attract great interest from institutional investors.

Harris Derivative Investments Inc., Chicago, a manager of enhanced index funds, didn't seriously consider using them, said Steve Krisik, executive vice president. "We found that in general, the markets we were using, the futures markets, were sufficient for what we were doing," he said.

Jeffrey Geller, vice president of BEA Associates Inc., New York, said the lack of the contracts won't affect his clients, for whom he primarily uses S&P 500 futures. Those are still the most efficient way to buy the market, he said.

"We didn't have any hopes pinned on them," said Patricia Dunn, president of Wells Fargo Investment Advisors, San Francisco. "We would only have been interested in them had they attracted volume."

The Philadelphia exchange's S&P 500 contract had average daily volume of about 1,500 from May through July. Its "blue chip" contract had far less, about 11 contracts a day. Volume figures were not available from the Amex.

The Philadelphia exchange has filed an amended version of the contracts with the SEC, said Nicholas A. Giordano, president. He added he hopes the SEC appeals the ruling to the Supreme Court.

Amex officials said they are weighing various options.

The contracts, which began trading in May, tracked either the Standard & Poor's 500 Stock Index or a less diversified, large-capitalization index and were cash-settled. Unlike futures and options, they did not have an expiration date, but had cash-out privileges.

Mr. Giordano said the contracts also differed from futures in that they paid dividends and had higher margin requirements.

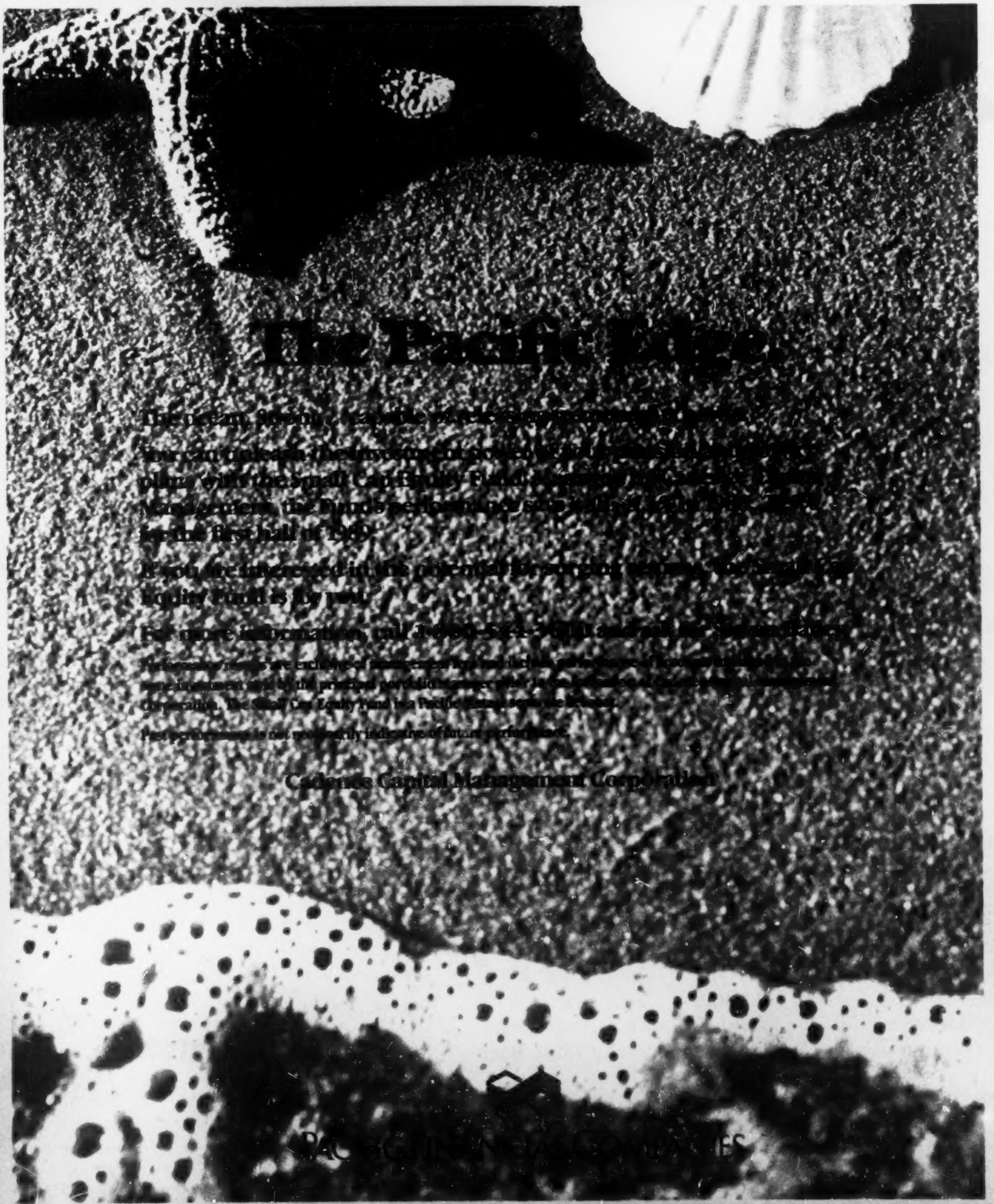
Executives at the Chicago futures exchanges called the decision a major victory. "It reaffirms the exclusive jurisdiction of our regulator, the CFTC, over products that serve as instruments for price discovery and risk transfer, which is precisely what futures contracts do," said Karsten Mahlmann, chairman of the Chicago Board of Trade. ■

CORRECTIONS & CLARIFICATIONS

• **The City of Detroit Retirement Systems** has total assets of $3.4 billion. An incorrect figure was published in the Aug. 21 issue.

• **Penn Mutual Life Insurance Co.**, Philadelphia, was identified incorrectly in the PIPER listings in the Aug. 21 issue.

Also, in PIPER, **Equitable Capital Management Corp.**'s Growth Stock Account 4 was identified as value oriented. The growth account has a value discipline that guides the selection of specific holdings.



The Pacific Edge.

[illegible]

Past performance is not necessarily indicative of future performance.

Cadence Capital Management Corporation

PACIFIC FINANCIAL COMPANIES

Pension fund buys on its own

Strategy cuts costs but raises questions

By Margaret Price

STAMFORD, Conn. — A pioneering global investment strategy undertaken by a pension fund is raising important new questions about the relationships among funds, investment managers and brokers.

The $650 million fund of Combustion Engineering Inc. plunged into the global arena with a $20 million one-day purchase in early July. The purchase, arranged through Morgan Stanley & Co., New York, helped Combustion contain costs associated with constructing a portfolio.

T. Britton Harris, Combustion's assistant treasurer-investments, decided to borrow an investment idea that proved successful for him in the past: buy stocks directly from a broker and give them to money managers later. Mr. Harris employed the same technique on domestic securities while senior financial analyst at the pension fund of Texas Utilities Co., Dallas.

In late spring, Mr. Harris hired three money managers — Acadian Asset Management Inc., Boston; Marathon Asset Management Ltd., London; and WorldInvest Ltd., London — and asked them to select the stocks they wanted to manage for Combustion. Allocations amounted to $5 million each for Acadian and Marathon and $10 million for WorldInvest.

In late June, Combustion arranged with Morgan Stanley to buy all the desired stocks as part of a negotiated block trade that would be carried out largely in one 24-hour period. On July 1, nearly all of the portfolio's 220 stocks from 17 countries were turned over to Combustion's three new money managers.

The deal was clearly a boon to Combustion and Morgan Stanley. John Stimpson, a Morgan Stanley principal, claims his firm never before handled such an international block transaction for a pension fund.

Combustion's Mr. Harris boasts of two key benefits to the fund: price appreciation, because the acquired stocks were purchased just before the July rally in world markets, and substantial cost savings in the purchase transactions.

By buying stocks directly through one broker and in volume, "we saved at least one-third of the costs traditionally incurred by starting a portfolio of this or any size," said Mr. Harris. Combustion had arranged its commission deal with Morgan Stanley before any stocks were bought.

Morgan Stanley used its own broker network, when possible, or other local brokers — to fill the purchase order. According to Morgan Stanley's Mr. Stimpson, these stocks were purchased on an "agency basis," meaning brokers were not held to any one price.)

Mr. Harris claims that as part of this deal, Morgan Stanley guaranteed that there would be no "net market impact" on the portfolio from the block trades. He also claimed his new money managers, although initially dubious about the potential for savings on the deal, eventually "became believers."

But some of the money managers, as well as other managers and pension fund consultants, raised other issues surrounding the transaction.

Jeremy Hosking, a director and founder of Marathon Asset Management, cited such attractions for the Combustion-Morgan Stanley deal as the rapid purchase of stocks in the portfolio. The block trade process removed the need for money managers to worry about market timing when buying the stocks.

Still, he questioned whether Morgan Stanley had gotten "the best execution" on all the stock purchases. According to Mr. Hosking, Morgan Stanley's own post-mortem report showed that although "the great majority of the trades appear to have been well-handled," some of the "less marketable securities rose up to 10% above their day's lows on the day of Combustion's buying." He cited Kaneshita Construction, a Japanese stock, as one example.

Mr. Stimpson acknowledged Kaneshita's price increased 10% that day, but he said Morgan Stanley purchased Kaneshita for Combustion at its middle trading range for the day, which he considers to be a good trade.

T. Britton Harris arranged a single-day purchase of $20 million in international stocks.

Richard Lewis, investment manager at WorldInvest, felt "sure Morgan Stanley did a decent job on trading." But he raised the broader issue of managers' relationships with brokers.

In the Combustion-Morgan Stanley deal, there was no "soft-

Continued on page 18

A very active quarter

Poor Japanese market helps some managers

By Curtis Vosti

Active managers, taking advantage of the down Japanese market and a strong dollar, outperformed international indexes for the second quarter in a row, Pensions & Investments' Performance Evaluation Report shows.

The common international benchmarks — the Morgan Stanley Capital International Europe Australia Far East Index and the FT-Actuaries Europe & Pacific Index — both posted negative returns for the quarter. The returns were greatly affected by the Japanese market (which makes up almost two-thirds of both the EAFE and Euro-Pac), which lost 1% for the quarter and 11.2% for the first two quarters.

EAFE returned −6.12% for the second quarter while the FT-A Euro-Pac returned −6.29%.

The performance of both indexes placed them in the 10th decile of PIPER funds during the second quarter, meaning more than 90% of the PIPER international funds outperformed them. That is a far cry from the 1988 performance, when the indexes bettered the returns of all international funds.

(For the one-year period ended June 30, the FT-A Euro-Pac returned 8.62% and the the EAFE returned 9.78%, placing them in the seventh and fifth deciles respectively.

(For the three-year period ended June 30, the EAFE returned 22.04% and the FT-A Euro-Pac returned 22.25%; for five years, both indexes returned 33.36%; and for the 10-year period, the EAFE returned 21.31% while the FT-A was not yet born.)

Even though poor indexed performances this year opened the door for active managers, they still must make the right calls.

For the 12-month period ended June 30, the $80 million International EB Equity Fund of WorldInvest Ltd., which has about a 5% exposure to Japan, was the second best performer, with a return of 17.8%. In the three-year period, WorldInvest landed in the fourth decile, with a 17.44% performance. (All returns for periods of more than one year are annualized.)

WorldInvest topped the performers for the five-year period with 33.78%. However, for the

Continued on page 18

Commingled international funds

3-month returns

	%
Trust Co. of the West (Global)	12.8
First Chicago ($ fixed), Ill.	7.3
Confederation Life (Stock), Ga.	5.0
PCM Int'l (Global bond), N.J.	3.5
CIGNA Corp. (Eq.), Conn.	3.4
Lincoln Nat'l (SA 22), Ind.	3.4
Wellington Trust (Emerg. eq.)	3.2
Assoc. Bank-Neenah (World), Wis.	2.4
Bessemer Trust (E), N.Y.	2.3
The Principal (Eq.), Iowa	2.3
Putnam Cos., Mass.	2.1
IAA Trust (CTF-I), Ill.	1.0
Provident Capital (Low p/e), Pa.	1.0
First Chicago (Eq.)	1.0
Travelers Cos. (Eq.), Conn.	0.4
PCM Int'l (Global yield), N.J.	0.2
PCM Int'l (Print eq.), N.J.	−0.2
Worldinvest (Eq.), N.Y.	−0.3
Wilmington Trust (Eq.), Del.	−0.4
Harris Trust (Eq.), Ill.	−0.7
Boatmen's Trust (Coll. W), Mo.	−0.9
NCNB Texas (Stock), Texas	−0.9
Morgan Guaranty (Bond), N.Y.	−1.0
MSCI World Index	**−1.3**
FTA World Index	**−1.3**
First Chicago (Non-$ fixed)	−1.4
Aetna Capital (Eq.), Conn.	−1.8
Wellington Trust (Eq.), Mass.	−1.8
Morgan Guaranty (Eq.), N.Y.	−1.9
Citicorp Invst. (Fixed), N.Y.	−2.1
Worldinvest (Fixed), N.Y.	−2.7
Union Bank (Invt. eq.), Calif.	−3.0
Chase-CMB (Eq.), N.Y.	−3.9
IDS Trust (Coll. eq.), Minn.	−4.1
PCM Int'l (Bond), N.J.	−4.4
Chase-CMB (Fixed), N.Y.	−4.6
Fidelity Mgmt. (Overseas eq.)	−4.8
Citicorp Invst. (Eq.), N.Y.	−5.0
Prudential (Foreign eq.), N.J.	−5.8
State Street Bank (Index), Mass.	−5.8
MSCI EAFE Index	**−6.1**
American Nat'l Chicago (Eq.)	−6.1
Travelers Cos. (Index), Conn.	−6.2
Wells Fargo (Eq.), Calif.	−6.3
FTA Europe & Pacific Index	**−6.3**
Wellington Trust (Pacific basin)	−6.6

1-year returns

	%
Trust Co. of the West (Global)	20.8
Worldinvest (Eq.), N.Y.	[illegible]
Assoc. Bank-Neenah (World)	17.6
Bessemer Trust (E), N.Y.	16.6
Confederation Life (Stock), Ga.	16.4
The Principal (Stock), Iowa	15.0
Wilmington Trust (Eq.), Del.	14.6
First Chicago (Eq.)	14.6
Putnam Cos., Mass.	14.6
Wellington Trust (Emerg. eq.)	14.1
Provident Capital (Low p/e), Pa.	13.3
MSCI World Index	**13.2**
CIGNA Corp. (Eq.), Conn.	12.6
FTA World Index	**12.5**
Travelers Cos. (Eq.), Conn.	11.7
First Chicago ($ fixed)	11.6
PCM Int'l (Global bond), N.J.	10.7
Boatmen's Trust (Coll. W), Mo.	9.9
NCNB Texas (Stock)	9.9
MSCI EAFE Index	**9.8**
Aetna Capital (Eq.), Conn.	9.7
Morgan Guaranty (Eq.), N.Y.	9.6
PCM Int'l (Print eq.), N.J.	9.5
Harris Trust (Eq.), Ill.	9.4
Prudential (Foreign eq.), N.J.	9.3
Wellington Trust (Stock), Mass.	9.2
State Street Bank (Index), Mass.	9.1
American Nat'l Chicago (Eq.), Ill.	9.0
FTA Europe & Pacific Index	**8.6**

Continued on page 18

UPDATE

Firm cool on bonds

CHICAGO — Preliminary research by Ennis, Knupp & Associates, Chicago, indicates the firm is not impressed with the use of foreign bonds.

"Nothwithstanding the surface appeal of including foreign bonds in a multiasset portfolio, our preliminary analysis of the risk and return characteristics of foreign bonds gives us pause," a research report said.

Among the reasons are the currency risk associated with unhedged foreign bond portfolios ("our own analysis . . . offers no support for the existence of currency risk premiums") and execution and management costs associated with hedging that Ennis, Knupp estimates is 30 to 50 basis points a year.

"Based on studies we have seen and the data we have worked with . . . the average returns of domestic bonds and a diversified portfolio of foreign bonds appear similar," the report said.

The report noted some factors that could lead to a different evaluation as time goes on. There were only 10 years of data on which the firm could evaluate the behavior of the foreign bond asset class, and the analysis also relied on a comparatively short period in which foreign exchange rates were highly volatile.

"If, in time, the future of that volatility decreases substantially or ceases to exacerbate the volatility inherent in foreign bonds, or if hedging becomes less costly, foreign bonds may offer a more compelling diversification," the report said.

Expansion continues

Meridian Global Funds Management Ltd., a unit of National Mutual Life Association of Australasia, Melbourne, has opened offices in New York and Tokyo as part of its global expansion, said Bruce Loveday, president of the Meridian Global Funds Manage-

ment U.S. Inc.

With these additions, Meridian, with close to $4 billion under management, mostly from institutional investors, now has offices in five cities. The other offices are in London, Hong Kong and Melbourne.

In the United States, Meridian "is looking into a number of ways to get resources, and we're considering whether acquisition of another money management firm would be a sensible way to do that," said Mr. Loveday, who recently relocated to the New York office from Melbourne. He has been with the firm since 1988. He would not disclose which firms might be under consideration.

Australian acquisition

PERTH, Australia — William M. Mercer Campbell Cook & Knight Proprietary Ltd., the Australian operating company of New York-based William M. Mercer Inc., has acquired the firm of Campbell Cook & King, an actuarial and benefits consulting firm in Perth.

Terms of the deal were not disclosed.

All 20 employees of Campbell Cook & King have joined Mercer's Perth office, according to Mercer spokeswoman Virginia Decker. Peter K. Williamson and Joseph Wong, former partners at Campbell Cook & King, have become principals at the new office. Mr. Williamson will head up the office, which will take on the name of Mercer Campbell Cook & Knight.

Prior to the acquisition, Mercer had offices in Adelaide, Brisbane, Melbourne and Sydney. The acquisition provides Mercer, an employee benefits and compensation consulting firm, with its first office in Perth.

William M. Mercer Inc. is a wholly owned subsidiary of Marsh & McLennan Cos. Inc., New York. In the United States, the firm operates as William M. Mercer Meidinger Hansen Inc.

Buys on its own

Continued from page 17

dollar" arrangement between the fund and the broker. But as Mr. Lewis saw it, the arrangement did mean "there's no information or continuing information flow (from Morgan Stanley) to me or via me to the client" now that his firm is among those who are "managing the stocks."

The fact that Combustion's stocks were initially selected — but not bought by the money managers — means that that Combustion's stocks were "bought with information other clients had paid for," Mr. Lewis said.

(To Combustion's Mr. Harris, the broker-relationship issue "is a small one. Subsequent to the initial transactions, the money managers are free to use Morgan Stanley or any other broker, and all these money managers have enough turnover to more than compensate any broker for investment advice they're getting.")

In broader terms, Mr. Lewis raised the possibility of future problems for money managers if they can't reward brokers on a soft-dollar basis. "It's not a problem now," he said, noting today many "brokers are screaming for business" and "we can bargain down hard on fees with them."

"But there may come a time when fund managers will have to compete for (investment) ideas," Mr. Lewis said. "A situation could arise whereby managers would have to put through a certain volume of business with a broker to get his best ideas. People should consider this an intangible cost." After all, "if the qualify of stock information deteriorates," it could ultimately hurt pension fund performances, he added.

Mr. Lewis and some other money managers and pension fund consultants also voiced a belief that more pension funds will want to find ways to cut operational costs and, if possible, recoup more soft dollar benefits for themselves.

"Tax-exempt funds in the U.S. appear to be beginning to think about involvement in the allocation of commissions internationally the way they increasingly have over the last 15 years in the U.S. market," said Karl Van Horn, chairman of Posthorn Global Asset Management Ltd., London. The Combustion-Morgan Stanley deal is "an extreme example of this, but it's a preview of coming attractions." ■

Active

Continued from page 17

second quarter, the London-based firm returned a −0.28%.

"Cyclicals moved out of favor," explained Chris Carter, WorldInvest director and head of equities. The fund is about 50% invested in cyclical stocks.

Mr. Carter said that the fund follows a top-down, macroeconomic approach, which looks at underpriced opportunities in countries and sectors. Right now, he said, most equity markets are fairly valued toward each other, so the fund is concentrating on cyclicals, like **Atlas Copco, Thyssen, Hoescht, Akzo** and **Bayer AG.**

Though cyclicals had a rough go of it during the second quarter, Mr. Carter said he will stick with the approach because he thinks the stocks are being overdiscounted over fears of a "global soft landing." He said this ignores that the cyclicals have largely restructured and would avoid the worst of a soft landing if it happens, which he doesn't think will.

Despite the poor recent showing by the benchmarks, index funds still have maintained value for the long-term investor.

American National Bank's approximately $400 million international index fund, which mimics EAFE but tries to lessen transaction costs, was the top performer for the three-year period, with 23.32%. It finished second to WorldInvest for the five-year period.

"The goal of indexing is to provide for diversification," said Steve Manus, director for ANB Investment Management Co., Chicago, the bank's wholly owned investment management subsidiary.

"In the long run, active managers have to overcome trading costs to outperform the indexes," he said.

The top-performing international fund for the quarter was the $106 million Global Fund of Trust Co. of the West, which returned 12.84%. The firm declined to discuss the reasons for the fund's success. It also was the best performer for the 12-month period at 20.83%.

The second leading performer was the dollar-fixed fund of First Chicago Investment Advisors, which returned 7.32%. Managing Director Richard Carr said the fund's strong performance is due to the dollar's strong showing in the second quarter. ■

Continued from page 17

Citicorp Invst. (Eq.), N.Y.	8.5
Travelers Cos. (Index), Conn.	8.2
Fidelity Mgmt. (Overseas eq.)	7.9
Wells Fargo (Eq.), Calif.	7.3
Chase-CMB (Eq.), N.Y.	7.2
IAA Trust (CTF-I), Ill.	6.8
PCM Int'l (Global yield), N.J.	6.7
Union Bank (Invt. eq), Calif.	5.9
Lincoln Nat'l (SA 22), Ind.	5.6
IDS Trust (Coll. eq.), Minn.	5.1
Wellington Trust (Pacific basin)	4.5
Morgan Guaranty (Bond), N.Y.	3.5
First Chicago (Non-$ fixed)	2.4
WorldInvest (Fixed), N.Y.	1.7
Citicorp Invst. (Fixed), N.Y.	1.0
PCM Int'l. (Foreign bond), N.J.	−0.7
Chase-CMB (Fixed), N.Y.	−1.2

5-year returns

	%
WorldInvest (Eq.), N.Y.	33.8
FTA Europe & Pacific Index	**33.7**
MSCI EAFE index	**33.7**
American Nat'l Chicago (Eq.)	33.5
Wells Fargo (Eq.), Calif.	32.6
Wellington Trust (Pacific basin)	30.7
First Chicago (Eq.)	30.5
Bessemer Trust (E), N.Y.	30.4
CIGNA Corp. (Eq.), Conn.	29.6
Chase-CMB (Eq.), N.Y.	28.8
Citicorp Invst. (Eq.), N.Y.	27.6
Aetna Capital (Eq.), Conn.	27.4
Putnam Cos., Mass.	26.8
PCM Int'l (Global bond), N.J.	26.5
MSCI World Index	**26.4**
Wellington Trust (Stock), Mass.	26.4
Boatmen's Trust (Coll. W), Mo.	26.1
FTA World Index	**26.0**
NCNB Texas (Stock)	25.5
IDS Trust (Coll. eq.), Minn.	24.8
Morgan Guaranty (Eq.), N.Y.	24.4
Travelers Cos. (Eq.), Conn.	23.7
First Chicago (Non-$ fixed)	20.3
WorldInvest (Fixed), N.Y.	19.8
PCM Int'l (Bond), N.J.	19.6
Morgan Guaranty (Bond), N.Y.	18.8
Citicorp Invst. (Fixed), N.Y.	16.3
First Chicago ($ fixed)	14.7

10-year returns

	%
MSCI EAFE Index	**21.3**
Putnam Cos., Mass.	19.9
First Chicago (Eq.)	19.9
MSCI World Index	**18.8**
Citicorp Invst. (Eq.)	18.4
Morgan Guaranty (Eq.), N.Y.	17.5
Morgan Guaranty (Bond), N.Y.	12.1

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Growth paces way

Chase fund is best performer in 2nd quarter

By Margaret Price

Astute growth stock investing rewarded some of the top-performing special equity funds in Pensions & Investments' Performance Evaluation Report for the second quarter.

The No. 1 finisher, the $222 million Intermediate Capitalization Equity Fund of Chase Investors Management Corp., New York, returned 15.74%. It benefited from sizable investments in high-growth sectors seen as able to weather an economic trough in such industries as cellular telephone and pollution control and in selected retail stocks.

Some of the worst-performing funds heavily invested in small-capitalization stocks that generally lagged in the second quarter. That — coupled with a pricing error involving warrants on one unnamed stock holding — sunk the Growth Fund of Liberty National Bank and Trust Co., Louisville, Ky., into last place with a 0.48% return, said Robert C. Gray, senior vice president. (However, in July, that $1.2 million fund "snapped back" with a 6.1% gain, said Mr. Gray.)

For the second quarter, the median PIPER fund returned 7.76%; the Standard & Poor's 500 Stock Index, 8.7%; and the Russell 2000, 6.4%. The PIPER special equity universe is composed of 107 commingled bank and insurance company funds.

For the one-year period, the approximately $72 million MONY-Management of Managers Special Equity Fund of MONY Financial Services, Purchase, N.Y., won first-place laurels with a 41.73% return. The approximately $13 million Select Equity Fund of NCNB Texas, Dallas, bested all competitors for the three- and five-year periods with a compound annual 43.81% and 37.67%, respectively.

The PIPER median equity fund returned 18.13% for the year, 8.76% for three years and 16.13% for five years. For the same periods, the S&P returned 20.36%, 11.95% and 20.08%, respectively, while the Russell 2000 returned 12.73%, 4.85% and 13.12%, respectively. Returns for periods longer than a year are annualized.

Michael L. Schonberg, managing director, Chase Investors, said the Intermediate Capitalization Equity Fund had been constructed around a view of a coming economic downturn. By late last year, the fund eliminated most industrial issues with cyclical exposure and replaced them with "visible" high-growth stocks, he said.

That strategy clearly paid off. For instance, the fund's single largest holding — **Edison Brothers Stores Inc.** — jumped 47% in the second quarter amid an upgrading of earnings estimates by Wall Street. And in cellular telephone, Chase saw **LIN Broadcasting Corp.** jump 31% on expectations of a takeover by McCaw Cellular, that was announced in June.

Mr. Schonberg said the entire cellular telephone communications industry is benefiting from "rising asset values propelled by better-than-expected business trends and takeover expectations." At the beginning of March, the Chase Investors fund had a 32% weighting in cellular telephone stocks. It also had a 19% weighting in industrial growth stocks such as **Calgon Carbon Corp.**, a 17% exposure to retail stocks and a 9% weighting in finance. As Mr. Schonberg pointed out, "These areas all did well" in the second quarter.

The third-place fund for the quarter — the $80 million Growth Stock Account of the Phoenix Mutual, Hartford, Conn., which returned 12.25% — focused on two key themes: environmental control (comprising about 21% of the fund), and drug and hospital supply (about 12% of the fund), said Cathy Dudley, portfolio manager.

These were perceived as stocks of companies with "consistently strong profits that would show up well even amid a soft economic landing, Ms. Dudley said. Expectations of a downturn prompted the fund to average at least 15% in cash during the first half of the year, a level that has since been reduced, she said.

Special equity funds
(periods ended June 30)

	Quarter	1 yr.	3 yr.	5 yr.	10 yr.
Highest return	15.74%	41.73%	43.81%	37.67%	23.79%
First quartile	9.26	21.97	12.88	18.39	19.85
Median	7.76	18.13	8.76	16.13	17.2
Third quartile	6.31	12.4	6.13	12.07	15.64
Lowest return	0.48	−8.97	−8.53	1.97	11.92
S&P 500	8.71	20.36	11.95	20.08	17.02
Russell 2000	6.37	12.73	4.85	13.12	15.93

Stock picks in the waste management area included such names as **Browning-Ferris Industries Inc.** and **Waste Man-**

Continued on page 22

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[illegible]

Growth

Continued from page 21

agement Inc. and in waste management technology. **Thermo Electron Corp.** and **Wheelabrator Technologies**.

The fund's two largest holdings in the drug area were **Merck & Co. Inc.** and **Abbott Laboratories.**

Although tops for the year ended June 30, the MONY-Management of Managers Special Equity Fund ranked fourth for the second quarter, with 12.2%.

This small- to medium-cap fund, which is managed by three outside money managers selected by Evaluation Associates Inc., a unit of MONY, focuses on three main stock-selection criteria: companies with explosive earnings growth; those with high cash flow per share; and those where "the sum of the company's parts is greater than its whole," said Keith Stransky, vice president and director of funds' research at Evaluation Associates, Inc., Norwalk, Conn.

The fund's bottom-up stock-picking style led to such winners as **The Washington Post Co.**, which rose 34% over the past year; **Sea Containers Ltd.**, up a whopping 194% in the year ended June 30; and **Contel Cellular Inc.**, up 135% in the last 12 months.

Although NCNB Texas' Special Equity Fund has scored well over the three- and five-year periods, it ranked only 25th in the second quarter with 8.89%. The $20 million Supplemental Equity Fund of Union Bank, San Diego — although in first place for 10 years with 23.79% — was third from the bottom for the quarter at 0.78%.

Speaking about the second quarter, David L. Gardner, NCNB's senior vice president and director of research, said the Select Equity Fund's "generally, high p/e, blue-chip stocks" were in favor during the second quarter. Our focus is more on value-oriented names."

In the second quarter, the NCNB fund "bet heavily" on such leisure time stocks as **Caesars World Inc.** and on **King World Productions**. ■

Top quartile commingled special equity funds

3-month returns

	%
Chase-CMB (Inter. cap.), N.Y.	15.7
Equitable Capital (Growth), N.Y.	13.6
The Phoenix (Growth S), Conn.	12.3
Mutual of New York	12.2
SeaFirst Bank (Northwest), Wash.	12.0
Bankers Trust (Sup.), N.Y.	11.7
Princeton Bank, N.J.	11.5
Putnam Cos. (Growth), Mass.	11.1
Trust Co. of the West, Calif.	10.9
Fidelity Mgmt. (Agg.), Mass.	10.9
Hibernia Nat'l (G), La.	10.4
Norwest Bank (Invt.), Minn.	10.3
Pacific Mutual, Calif.	10.0
First Chicago (Post-venture cap.)	10.0
MTrust (Growth), Texas	9.9
Chase-CMB (Value), N.Y.	9.6
First Wis. Asset (Emerg. growth)	9.6
Texas Commerce	9.5
Comerica, Mich.	9.4
Deposit Guaranty (Opp.), Miss.	9.4
Standard & Poor's	**8.7**
Russell 2000	**6.4**

1-year returns

	%
Mutual of New York	41.7
Wellington Trust (Spec. sit.)	41.4
Chase-CMB (Inter. cap.), N.Y.	37.9
Texas Commerce	28.5
Fidelity Mgmt. (Agg.), Mass.	28.4
Connecticut Bank (Emp. sup.)	27.7
NCNB Texas (Select)	27.5
First City Nat'l (G-1), Texas	26.4
First Chicago (Post-venture cap.)	25.7
Second Nat'l Bank (Growth), Ohio	25.4
Mid-State Bank (Beta), Pa.	24.5
Wellington Trust (Non-tech)	24.0
Fidelity Mgmt. (Small co. growth)	23.5
The Phoenix (Growth S), Conn.	23.5
MTrust, (Growth), Texas	22.7
Banc One Asset Mgmt., Ohio	22.6
Nat'l Bank of Detroit (Intrinsic F)	22.6
Wells Fargo (Tilts & timing), Calif.	22.3
Putnam Cos. (Growth), Mass.	22.2
SeaFirst Bank (Northwest), Wash.	22.1
Standard & Poor's	**20.4**
Russell 2000	**12.7**

3-year returns

	%
NCNB Texas (Select)	43.8
Wellington Trust (Spec. sit.)	23.7
First City Nat'l (G-1), Texas	21.4
Equitable Capital (Tangible asset)	20.0
Mutual of New York	17.2
SLH Trust (New values 3), Del.	16.7
Connecticut Nat'l Bank (Sup.)	15.9
Nat'l Bank of Detroit (Intrinsic F)	15.8
First Asset Mgmt. (20), Minn.	15.1
The Phoenix (Growth S), Conn.	14.9
First Asset Mgmt., Minn.	14.6
First Chicago (Inst.)	14.5
Massachusetts Mutual (SIA S)	14.1
SLH Trust (Growth 2), Del.	13.8
Connecticut Bank (Sup.)	13.4
Fidelity Mgmt. (Agg.), Mass.	13.3
SLH Trust (Small cap. 5), Del.	12.9
Putnam Cos. (Growth), Mass.	12.9
Wells Fargo (Tilts & timing), Calif.	12.9
Standard & Poor's	**12.0**
Russell 2000	**4.9**

5-year returns

	%
NCNB Texas (Select)	37.7
SLH Trust (Growth 2), Del.	32.1
SLH Trust (New values 3), Del.	29.6
Fidelity Mgmt. (Agg.), Mass.	25.9
Chase-CMB (Inter. cap.), N.Y.	22.7
First Asset Mgmt., Minn.	22.4
First Asset Mgmt. (20), Minn.	22.4
Connecticut Nat'l Bank (Sup.)	22.2
Equitable Capital (Tangible asset)	20.9
Chancellor Capital (Value), N.Y.	20.9
Trust Co. of the West, Calif.	20.3
SLH Trust (Small cap. 5), Del.	20.2
Standard & Poor's	**20.1**
Mellon Equity Assoc., Pa.	19.4
Norwest Bank (Invt.), Minn.	18.4
Wellington Trust (Non-tech)	18.4
Russell 2000	**13.1**

10-year returns

	%
Union Bank (Sup.), Calif.	23.8
Chase-CMB (Inter. cap.), N.Y.	21.6
Norwest Bank (Invt.), Minn.	21.5
MTrust (Growth), Texas	21.5
Chancellor Capital (Value), N.Y.	20.1
Connecticut Bank (Sup.)	20.0
Provident Capital, Pa.	19.7
Standard & Poor's	**17.0**
Russell 2000	**15.9**

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MASTER TRUST/CUSTODY

Assets hit $1.8 trillion

Blossoming public funds lead the way

By Trudy Ring

Public funds and defined contribution plans paced business growth for master trust/master custodial banks in the year ended June 30.

Master trust and master custody assets of banks with at least $2 billion in this area increased 17.8% in the period, to $1.798 trillion from $1.526 trillion, according to a survey by *Pensions & Investment Age*. There were 32 banks in this size category in the survey this year, up from 30 in 1988.

Assets of the entire universe, including five banks with less than $2 billion, stood at $1.801 trillion as of June 30.

Master custodial assets continued to grow at a greater rate than master trust assets. A master custodian provides the same services as a master trustee, but the fund sponsor retains legal trusteeship. Master custodian arrangements usually are for public pension funds, foundations, endowments and some corporate defined contribution plans, while master trust arrangements are largely for corporate defined benefit plans.

Master custodial assets among the 32 banks with $2 billion or more in total assets grew 23.4%, to $855 billion from $693 billion. Master trust assets of these banks grew 13.2%, to $942 billion from $832 billion.

For the whole universe, master custodial assets were $856.5 billion and master trust assets, $944.7 billion.

The growth in master custodial assets is largely attributable to public funds and defined contribution plans.

Some public funds are just now hiring master custodians or are moving to one of the top custodian banks from a smaller, regional one, said Jay Carty, director of marketing in Boston Safe Deposit and Trust Co.'s institutional markets group.

Public funds are seeking a wider array of services — doing what corporate funds did several years ago, said Mike Costa, division executive-fiduciary and information services at Citibank, New York.

But the growth of public pension assets may be starting to slow, as improved funding practices in the past few years have pushed these plans toward maturity, said Allan Martin, senior vice president-global fiduciary services at Bankers Trust Co., New York.

On the corporate side, new retirement plans being formed tend to be defined contribution plans, and these often have a master custodian instead of a master trustee, said Mike Wright, a consultant with Wyatt Asset Services, Boston.

"That's a market where we see continued good and healthy growth," Mr. Martin said of defined contribution plans. Eventually, defined contribution assets likely will exceed defined benefit assets, he said.

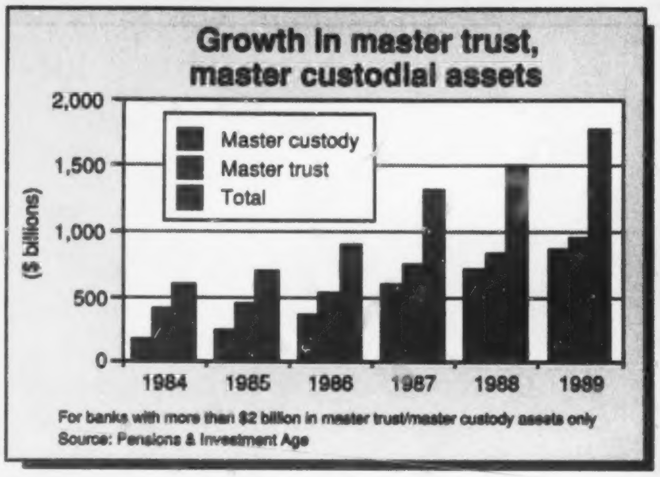
Mr. Wright noted, however, that mutual fund companies, which are managers for many defined contribution plans, are getting into the custodial business and might take some of this business away from the banks.

Mr. Martin added foundations and endowments are moving toward major trust banks and away from regional ones, adding a source of business to the leaders.

The growth is much slower in master trust, though.

"For the most part, corporations have already established master trusts and already selected

Continued on page 45



Growth in master trust, master custodial assets

For banks with more than $2 billion in master trust/master custody assets only

Source: Pensions & Investment Age

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Total global custody assets	38
Custodial profiles	38

Global custody business booms

By Trudy Ring

U.S. tax-exempt institutional assets under global custody rose 42.1% to $103.884 billion in the year ended June 30, as investors continue to expand their overseas holdings.

Total global custody assets, including U.S. taxable and tax-exempt and foreign assets, stood at $351.189 billion June 30. No comparable figure from a year ago was available.

The statistics were derived from a *Pensions & Investment Age* survey of 29 banks that serve as global custodians.

"There's just no question that (global custody) is a growth market," said Allan Martin, senior vice president-global fiduciary services at Bankers Trust Co., New York. Many corporate and public defined benefit plans have diversified into international investments, and savings plans could begin to add international components, too, he said.

"Some of our early clients who were in international investments are upping their asset allocations," said Jay Carty, director of marketing for Boston Safe Deposit and Trust Co.'s institutional markets group.

"The growth of global assets is faster than any other category," said Scott Morgan, senior vice president at Northern Trust Co., Chicago.

Many big pension funds that got into international investing about five years ago are adding to allocations, while middle-market funds are just getting into this area, said Susan Schoon, senior vice president of Chase Manhattan Bank, New York.

Most global custodians surveyed by *P&I Age* indicated U.S.

Continued on page 45

U.S. master trust/master custody banks
(U.S. $ millions)

Firm	Total	Master trust	Master custody
State Street Bank	238,492	114,527	123,965
Bankers Trust	164,400	127,100	37,300
Northern Trust	160,000	106,000	54,000
Chase Manhattan Bank	159,200	65,100	94,100
Bank of New York	146,300	67,465	58,835
Boston Safe Deposit	141,439	48,526	92,913
Mellon Bank	138,225	106,396	31,829
Citibank	104,569	26,247	78,322
Manufacturers Hanover	68,300	27,300	41,000
C&S Trust	65,700	32,900	32,800
Security Pacific	59,000	5,000	54,000
Harris Trust and Savings	48,000	45,700	2,300
First Pennsylvania Bank	38,977	4,140	34,837
NCNB Texas	36,100	23,900	12,200
First Wachovia	36,003	29,572	6,431
Nat'l Bank-Detroit	30,165	12,273	17,892
Chemical Bank	21,053	11,612	9,441
U.S. Trust	19,700	14,700	5,000
Continental Bank	18,177	13,367	4,810
Ameritrust	17,753	4,399	13,354
Wilmington Trust	14,201	13,790	411
Boatmen's Trust	14,137	2,392	11,745
Bank of America	11,485	2,112	9,373
First Interstate-California	11,239	3,871	7,368
LaSalle Nat'l Bank	8,261	771	7,490
First Trust	4,461	2,917	1,544
Security Trust	4,336	679	3,657
First Wisconsin Trust	4,035	2,212	1,823
Norwest Bank Minnesota	3,800	2,700	1,100
Marshall & Ilsley Trust	3,600	1,700	1,900
Trust Co. Bank	3,435	1,312	2,123
Marine Midland Bank	3,100	1,800	1,300
Connecticut Nat'l Bank	1,732	900	832
BancOklahoma Trust	704	373	331
Bank IV	606	574	32
Bank One Indianapolis	427	253	174
First Interstate-Washington	120	120	0
Total	1,801,232	944,700	856,532

Global custodians*
(U.S. $ millions)

	U.S. tax-exempt assets			
Firm	Total	Held by subcustodians	Held as a subcustodian	U.S. taxable assets
State Street Bank	24,009	22,756	4,672	8,400
Chase Manhattan	20,700	8,800	4,400	16,300
Northern Trust	9,600	9,600	0	361
Mitsubishi	7,500	3,000	0	65
Morgan Guaranty	5,600	1,008	2,000	34,400
Bankers Trust	5,556	4,097	75	132
Boston Safe Deposit	5,513	5,143	370	5,587
Citibank	5,000	600	300	2,000
Harris Trust	3,940	3,940	0	60
Bank of New York	3,500	3,500	0	20,400
Morgan Stanley Trust	3,000	3,000	0	4,400
Mellon Bank	1,824	1,816	9	76
Security Pacific	1,500	1,000	0	4,500
Bank of America	1,256	1,160	0	448
Wilmington Trust	1,000	1,000	0	100
First Nat'l-Chicago	974	950	0	3,763
First Wachovia	723	723	0	36
First Pennsylvania Bank	550	550	0	20
NCNB Texas	500	500	0	0
Nat'l Bank-Detroit	470	470	0	0
Manufacturers Hanover	400	n/a	n/a	3,500
U.S. Trust	242	242	0	2,452
Boatmen's Trust	218	218	0	19
Continental Bank	200	200	0	1,300
First Interstate-California	90	90	0	230
First Trust	15	14	0	1,585
Trust Co. Bank	2	2	0	3,768
Norwest Bank Minnesota	0	0	0	450
Barclays Bank	0	0	0	0
Total	103,884	74,379	11,826	114,302

*Ranked by total U.S. institutional, tax-exempt assets. Double-counting may be present because of subcustodial relationships.

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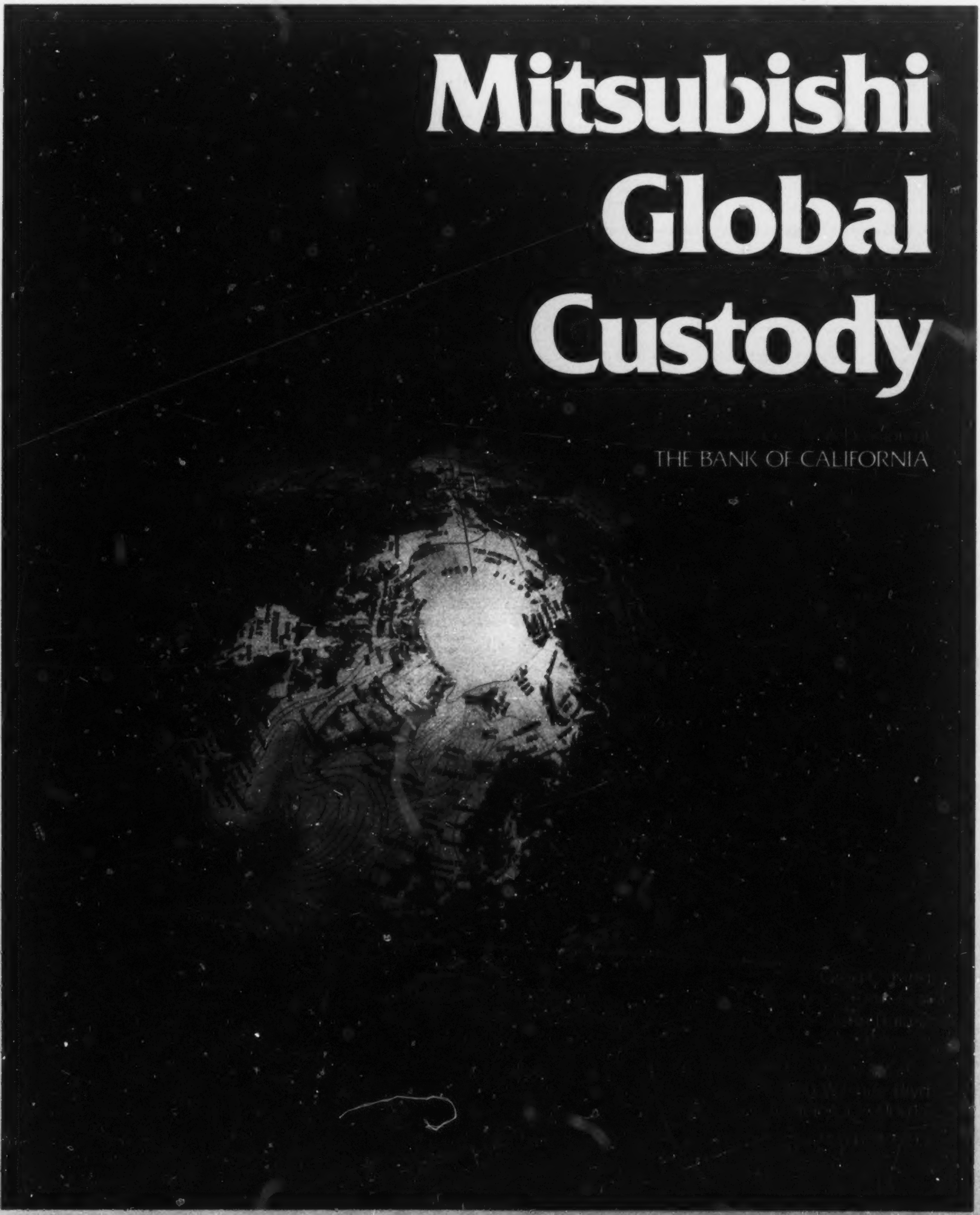

Mitsubishi Global Custody

THE BANK OF CALIFORNIA

Master trust

Ameritrust Co.

900 Euclid Ave., Cleveland, Ohio 44101;
(216) 737-4089

Domestic master trust assets	$4,399,000,000
Domestic master custody	$13,354,000,000
Domestic master trust clients	45
Domestic master custodial clients	17
Account supervisors	3

Ameritrust's domestic master trust assets rose $683 million in the year ended June 30; domestic master custodial assets rose $2.891 billion.

The primary accounting method is trade date. Full accrual and settlement date also are offered.

Services offered in the basic master trust/master custodial agreement are automated cash management, pension benefit payments, security processing, custody services, performance measurement and on-line inquiry system.

Services available for additional fees are TUCS, global custody, participant recordkeeping and investment management services.

Monthly transaction reports are available in five business days; asset and liability reports, five business days; and performance measurement reports, 10 business days. All are available on-line.

New features include enhancements to its PC downloading capabilities.

Fees are based on the market value of assets and individual services provided.

Gary W. Queen, senior vice president, is the client contact.

BancOklahoma Trust Co.

F.O. Box 2300, Tulsa, Okla. 74192;
(918) 588-6448

Domestic master trust assets	$373,000,000
Domestic master custodial	$331,000,000
Domestic master trust clients	31
Domestic master custodial clients	1
Account supervisors	4

BancOklahoma Trust's primary accounting method is unitized.

Services offered in the basic master trust/master custodial agreement are ERISA disclosure assistance, benefit disbursements, cash management and participant recordkeeping.

Services available for additional fees include on-line terminal access, securities lending and performance measurement.

Monthly transaction reports, asset and liability reports and performance measurement reports are available in 10 business days. All are available on-line.

New features include INVEST 3000, available on-line, with graphics and "what-if" analytical capabilities.

Fees are calculated quarterly and are based on market value, plus transactional activity.

Jim Morris is client contact.

Bank of America Corp.

555 California St., San Francisco,
Calif. 94941; (415) 622-4859

Domestic master trust assets	$2,112,000,000
Domestic master custodial	$9,373,000,000
Domestic master trust clients	32
Domestic master custodial clients	199

Bank of America's domestic master trust assets rose $1.213 billion in the year ended June 30.

The primary accounting method is cash. Accrual, unitized and proration methods also are offered.

Services offered in the basic master trust/master custodial agreement are cash sweeps, accrual accounting and unitized accounting.

Services available for additional fees are investment management and participant recordkeeping.

Monthly transaction and asset/liability reports are available in five days; performance measurement reports, in 15 days. On-site terminals are available for inquiry of account status.

New features include editing capability and computerized proration.

Fees are negotiated.

Richard V. Fulp is client contact.

Bankers Trust Co.

280 Park Ave., New York, N.Y. 10015;
(212) 850-2037

Domestic master trust assets	$127,100,000,000
Domestic master custodial	$37,300,000,000
Domestic master trust clients	262
Domestic master custodial clients	76
Account supervisors	169

Bankers Trust Co.'s domestic master trust assets rose $4.598 billion in the year ended June 30; domestic master custodial assets rose $2.187 billion.

The primary accounting method is full accrual, a system that maintains both trade and contractual settlement date positions. Tax lot and unitized accounting also are offered.

Services offered in the basic master trust/master custodial agreement are cash management, safekeeping, transaction processing, accounting, reporting, investment manager liaison and legal and regulatory updates.

Services available for additional fees are domestic and international securities lending, global custody, performance measurement and analytics, on-line access through PC-based workstations, customized graphics, benefit payments, investment management products, actively managed STIF accounts, discount brokerage, consulting services, dividend reinvestment program, trade execution monitoring and participant recordkeeping.

Monthly transaction and asset/liability reports are available in six to 10 business days; performance measurement reports, in 10 business days after the month's end. Unaudited performance measurement data is available on-line seven business days after the end of the month. Audited hard copy reports are available 15 business days after month's end. All are available on-line.

New features include fully customized local analytics and report generation; an expanded family of pooled funds; expanded products for endowments and foundations; fully automated options and futures processing, with options overwriting capabilities; and processing/advisory capabilities for funding retiree health plans.

Fees for domestic services are unbundled and negotiated.

The domestic master trust client contact is Jessica Wait, vice president; the master custodial contact is Gerard Arnone, vice president.

Bank IV

P.O. Box 4, Wichita, Kan. 67201-0004;
(800) 444-4400, ext. 4555

Domestic master trust assets	$574,000,000
Domestic master custodial	$32,000,000
Domestic master trust clients	108
Domestic master custodial clients	19
Account supervisors	9

Bank IV's primary accounting method is trade date with accrual. Trade date without accrual and settlement date with or without accrual also are offered.

Services offered in the basic master trust/master custodial agreement are safekeeping, cash sweeps, individually designed statements and trusteeship.

Services available for additional fees are performance reporting and on-line terminal capability.

Monthly transaction, asset and liability and performance measurement reports are available on the 15th of the month. Monthly transaction and asset and liability reports are available on-line.

New features include on-line terminal access.

Fees are based on the number and type of securities, the number of transactions and the dollar value of assets.

Roger A. Ramseyer, trust marketing manager, is the client contact.

The Bank of New York

48 Wall St., New York, N.Y. 10015;
(212) 495-1764

Domestic master trust assets	$87,465,000,000
Domestic master custodial	$58,835,000,000
Domestic master trust clients	235
Domestic master custodial clients	29
Account supervisors	45

The Bank of New York's and Irving Trust Co.'s master trust and master custodial assets now are combined because the two banks merged. Together, their domestic master trust assets rose $2.39 billion in the year ended June 30; domestic master custodial assets rose $1.2 billion.

The primary accounting method is trade and actual settlement date. Averaged cost, tax lot basis, amortized cost and liability accounting also are offered.

Services offered in the basic master trust/master custodial agreement are global safekeeping, full trust administration, cash management, STIF funds, zero balance sweeps, portfolio plan accounting, on-line services, ERISA reporting and client training.

Services available for additional fees are specialized STIF funds, benefit payments, securities lending, global lending, consulting services and performance measurement analytics.

Monthly transaction reports are available in five days; asset and liability reports, the next day; and perfor-

days, with on-line reports available the next day. All are available on-line.

New features include global lending, local PC management workstation, enhanced investment manager modeling and strategic tracking.

Fees for domestic services are negotiated individually based on market asset value, transactions, portfolio structure and services required.

Barbara A. Douglas, senior vice president, is client contact.

Bank One, Indianapolis

101 Monument Circle, Indianapolis,
Ind. 46277; (317) 639-8151

Domestic master trust assets	$253,000,000
Domestic master custodial	$174,000,000
Domestic master trust clients	7
Domestic master custodial clients	5
Account supervisors	6

Bank One Indianapolis' domestic master trust assets rose $97 million in the year ended June 30; domestic master custodial assets rose $51 million.

The primary accounting method is average.

Services offered in the basic master trust/master custodial agreement are custody, periodic asset and transaction statements, collection of income and other distribution of assets, annual reporting of employee benefit plans, benefit distribution reporting and consolidated reporting.

Performance measurement reports are available for an additional fee.

Monthly transaction reports are available in one to two business days; asset/liability reports, in five to seven business days; and performance measurement reports, within 30 days.

Fees are based on market value.

Karen Chambers is the client contact.

Boatmen's Trust Co.

510 Locust St., St. Louis, Mo. 63101;
(314) 436-9265

Domestic master trust assets	$2,392,000,000
Domestic master custodial	$11,745,000,000
Domestic master trust clients	9
Domestic master custodial clients	41
Account supervisors	18

Boatmen's Trust's domestic master trust assets rose $760 million in the year ended June 30; domestic master custodial assets rose $7.164 billion.

The primary accounting method is trade date and accrued basis. Settlement date basis for transactions only also is used.

Services offered in the basic master trust/master custodial agreement are transaction statements, asset reviews, performance measurement and financial reporting.

Services available for additional fees are benefit payments, participant recordkeeping, 401(k) administration, securities lending, investment management and pension plan funding by insurance contracts.

Monthly transaction reports are available in up to five days; asset and liability reports, in five to 10 days; and performance measurement reports, in 10 to 15 days. All are available on-line.

New features include an on-line general ledger system.

Fees are based on market value.

Richard W. Hibbs is client contact.

Boston Safe Deposit and Trust Co.

1 Boston Place, Boston, Mass. 02108;
(617) 722-7000

Domestic master trust assets	$48,526,000,000
Domestic master custodial	$92,913,000,000
Domestic master trust clients	54
Domestic master custodial clients	34
Account supervisors	24

Boston Safe Deposit and Trust Co.'s domestic master trust assets rose $9.9 billion in the year ended June 30; domestic master custodial assets rose $16.9 billion.

The primary accounting method is a true trade date, full accrual, multicurrency accounting system with a general ledger structure. The system inter-

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faces daily with a cash basis securities movement and control system.

Services offered in the basic master trust/master custodial agreement are safekeeping of assets, cash management, securities settlement and trade date accounting and reporting.

Services available for additional fees are securities lending, performance measurement and analysis, benefit payments, participant recordkeeping, on-line portfolio access, proxy voting and master workstations.

Monthly transaction reports are available in two days; asset/liability reports, in five days; and performance measurement reports, in 10 days. Accounting and performance measurement reports are available on-line.

New features include automated communications and reconcilement between custody records and the client's accounting systems; enhanced global analytics; and global cash forecasting.

Fees are determined by the estimated costs of service delivery.

John L. Carty, senior vice president, is the client contact.

Central Guaranty Trust Co.

Suite 933, Tower C, Atrium on Bay,
20 Dundas St. W., Toronto, Ontario,
M5G 2C2; (416) 345-5910

Domestic master trust assets	$1,321,000,000
Domestic master trust clients	29
Account supervisors	5

Central Guaranty Trust Co. offers settlement date as the primary accounting method. Trade date reporting also is offered.

Services offered in the basic master trust agreement are income accruals, unitized accounting and consolidated reporting, cash management, portfolio analysis, performance measurement, report customization, legal administrative guidance, benefit disbursement, participant recordkeeping, securities lending, investment management consulting and options and futures processing.

Monthly transaction reports are available on the fifth business day; asset and liability reports, in 10 business days; and performance measurement reports, in 20 business days.

New features include enhancement of reporting to meet new legislative and accounting requirements.

Fees are based on average book value and number of plans.

Doug Wannamaker, vice president pension services-sales, is client contact.

Chase Manhattan Bank

1211 Sixth Ave., 30th Floor, New York,
N.Y. 10036; (212) 730-6116

Domestic master trust assets	$65,100,000,000
Domestic master custodial	$94,100,000,000
Domestic master trust clients	123
Domestic master custodial clients	70
Account supervisors	22

Chase Manhattan Bank's domestic master trust assets rose $1.9 billion during the year ended June 30; its domestic master custody assets increased $9.1 billion.

The primary accounting method is fully accrued, trade date. Cash settlement date, amortized, tax lot and plan accounting also are used.

Services offered in the basic master trust/master custodial agreement are asset safekeeping, transaction processing, income processing, corporate action and proxy notification, legal consulting, accounting, hard copy reporting, on-line reporting, raw data download, investment adviser liaison, cash sweep to zero, cash management, active and passive investment management and client training.

Services offered for additional fees are domestic and global securities lending, benefit payments (including on-line reporting), global custody, performance measurement and analytics, consulting and customized reporting.

Monthly transaction reports are available in hard copy in two business days and on-line, the next day; asset and liability reports, in hard copy in five to seven business days and on-line the next day; and performance measurement reports, in 10 to 12 business days.

New features include an enhanced STIF; on-line benefits payments access and input; on-line access via a toll-free number; and a variety of enhanced on-line reports.

Fees are based on market value, transaction type and volume and portfolio type and volume.

Hortensia Sampedro, vice president, is client contact.

Canadian master trust
(U.S. $ millions)

Firm	Total	Master trust
Royal Trust	12,050	12,050
National Trust	8,900	8,900
Montreal Trust *	6,858	6,858
International Trust	1,830	133
Central Guaranty	1,321	1,321
Total	**30,959**	**29,262**

* as of March 31

Chemical Bank

55 Water St., 3rd Floor, New York,
N.Y. 10041; (212) 820-5000

Domestic master trust assets	$11,612,000,000
Domestic master custodial	$9,441,000,000
Domestic master trust clients	107
Domestic master custodial clients	131
Account supervisors	25

Chemical Bank's master trust and custodial assets include those of its subsidiary, Texas Commerce Bank.

Domestic master trust and master custodial assets each rose $100 million in the year ended June 30.

The primary accounting method is average cost. Last in, first out; first in, first out; high cost and low cost also offered.

Services offered in the basic master trust/master custodial agreement are asset safekeeping, transaction processing, securities settlement, income collection, corporate action notification, proxy processing, accounting, reporting services, performance measurement, benefit disbursements, daily sweeps of uninvested funds, account administration and investment manager liaison.

Services available for additional fees include electronic access, securities lending and global custody.

Monthly transaction and asset/liability reports are available in five to 10 business days; performance measurement reports, in eight to 10 business days. Transactions and a list of assets are available on-line.

New features include on-line pension payroll access, real-time updates to trade settlement and electronic access to global custody activity.

Fees are based on a combination of the market value of the portfolios, the specific reporting requirements and the complexity of the client relationship.

David Hutton, vice president, is client contact.

Citibank

153 E. 53rd St., 25th Floor, New York,
N.Y. 10043; (212) 559-2323

Domestic master trust assets	$26,247,000,000
Domestic master custodial	$78,322,000,000
Domestic master trust clients	190
Domestic master custodial clients	114
Account supervisors	47

Citibank's domestic master trust assets rose $2 billion in the year ended June 30; domestic master custodial assets rose $3.6 billion.

The primary accounting method is trade date. Settlement date and cash basis also are offered.

Services offered in the basic master trust/master custodial agreement are safekeeping and custody, cash management, trade date reporting, equitable share accounting and on-line information management.

Services available for additional fees are flexible reporting, investment performance evaluation, TUCS, global custody, securities lending, participant recordkeeping and DRIP service.

We don't promise you the moon and stars,
just the down-to-earth facts.

Fact: Bank of Boston stands out with a global custody network that offers you a strong competitive edge, beginning with our unique TRACS system, an extensive range of controls far more stringent than required by industry practice or regulations.

Fact: Our global custody network spans 22 nations, with a presence in the world's financial centers, offering experienced on-site management and multi-currency capabilities. We'll shape a custody program that specifically meets the needs of your organization.

Fact: Bank of Boston S.A., Luxembourg, has provided transfer agency and custody services to the mutual fund industry for 17 years, giving us an excellent grasp of EC regulations now.

Fact: We can handle all your global banking service needs, including foreign exchange, international cash management, correspondent banking, arbitrage, and international corporate reorganization.

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vailable on the third business day; sset and liability reports, in five to even business days; and perforance measurement reports, on the 5th business day. All are available n-line.

New features include brokerage ommission reports, a voice-response ystem and consulting services.

Fees are unbundled, based on indidual services provided.

The domestic master trust client ontacts are Wolfgang Strauss and enora Parish. The master custodial ontact is Gerard Hourihan.

onnecticut National Bank

77 Main St., Hartford, Conn. 06115;
(203) 728-4420

omestic master trust assets	$900,000,000
omestic master custodial	$832,000,000
omestic master trust clients	19
omestic master custodial clients	6
ccount supervisors	13

Connecticut National Bank's domes- master trust assets rose $47 million the year ended June 30.

The primary accounting method is ade date; settlement date also is ofred.

Services offered in the basic master ust/master custodial agreement are ctivity statement, investment apraisal and annual report. Perforance measurement reports are availle for an additional fee.

Monthly transaction, asset and liabil- and performance measurement reorts are available in 10 days.

Fees are based on a combination of arket value and individual transacons.

James De Lucia, vice president, is ent contact.

ontinental Bank

31 S. LaSalle St., Chicago, Ill. 60697;
(312) 828-3560

omestic master trust assets	$13,367,000,000
omestic master custodial	$4,810,000,000
omestic master trust clients	64
omestic master custodial clients	7
ccount supervisors	12

Continental Bank's domestic master ust assets rose $869 million in the ear ended June 30.

The primary accounting method is lly accrued, trade date. Cash basis nd settlement date also are offered.

Services offered in the basic master ust/master custodial agreement are ust accounting and reporting, plan ccounting, custody of securities, inome collection, execution of trades, utomated cash management (STIF) nd on-line access to trust data.

Services available for additional fees e performance measurement reportg, securities lending, global custody, nd benefit payments.

Monthly transaction reports are vailable on the second business day; sset and liability reports, on the 20th alendar day for full trust and plan acounting; and performance measureent reports, on the 25th calendar ay. Monthly transactions and asset tings are available on-line.

New features include international ecurities lending and state tax witholding for benefit payments.

Fees are based on assets and transctions.

Christopher S. Ross is client conct.

&S Trust Co. Inc.

3 North Ave., Suite 550, Atlanta, Ga.
30308; (404) 897-4905

omestic master trust assets	$32,900,000,000
omestic master custodial	$32,800,000,000
omestic master trust clients	47
omestic master custodial clients	15
ccount supervisors	5

C&S Trust Co. Inc.'s domestic masr trust assets rose $474 million in the ear ended June 30.

The primary accounting method is ade date accrual; settlement date on-accrual also is offered.

Services offered in the basic master ust/master custodial agreement are nancial accounting, transaction settleent and securities custody.

Services available for additional fees

cordkeeping, ERISA disclosure, investment management and benefit disbursement.

Monthly transaction reports are available in five days; asset and liability reports, 10 days; and performance measurement reports, 15 days. All are available on-line.

New features include an equity concentration analysis that relates the number of shares held in an account to total issued.

Fees are based on a percentage of assets, plus transactions.

J. Dan Davis is client contact.

First Interstate Bank of California

707 Wilshire Blvd., W10-1, Los
Angeles, Calif. 90017; (213)
614-3210

Domestic master trust assets	$3,871,000,000
Domestic master custodial	$7,368,000,000
Domestic master trust clients	8
Domestic master custodial clients	11
Account supervisors	9

First Interstate Bank of California's domestic master custodial assets rose $893 million in the year ended June 30.

The primary accounting method is contractual settlement.

Trade date accounting method also is offered.

Services offered in the basic master trust/master custodial agreement are benefit disbursement, index funds and ERISA disclosure.

Services available for additional fees are securities lending and performance measurement.

Monthly transaction reports are available in two days; asset and liability reports, five days; and performance measurement reports, 30 days. Monthly transaction and asset and liability reports are available on-line.

Fees are based on market value and transactions.

Deborah Dilley, vice president and manager-institutional trust sales, is client contact.

First Interstate Bank of Washington

Trust Division, P.O. Box 21927,
Seattle, Wash. 98111; (206)
292-3522

Domestic master trust assets	$120,000,000
Domestic master trust clients	1
Account supervisors	1

First Interstate Bank of Washington's basic master trust agreement covers unit accounting and asset rollup reporting.

Monthly transaction, asset and liability and performance measurement reports are available in 10 business days. Asset and transaction reports are available on-line.

Fees are asset based.

Lawrence T. Divers is client contact.

First Pennsylvania Bank

16th & Market streets, Centre Square
West, Philadelphia, Pa. 19101;
(215) 786-7327

Domestic master trust assets	$4,140,000,000
Domestic master custodial	$34,837,000,000
Domestic master trust clients	21
Domestic master custodial clients	28
Account supervisors	20

First Pennsylvania Bank's domestic master trust assets rose $1.222 billion in the year ended June 30; domestic master custodial assets rose $6.239 billion.

The primary accounting method is contractual date and trade date on a fully accrued basis.

Services offered in the basic master trust/master custodial agreement are safekeeping of assets, trust administration, accounting, reporting, transaction processing, fail float, client training, investment manager liaison, legal and regulatory updates and integrated on-line services.

Services available for additional fees are performance measurement and comparison, report customization, securities lending, global custody, portfolio analytics, active and passive invest-

CUSTODIAL TRUST COMPANY:

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Local 144 Nursing Home Pension Fund

has selected

Custodial Trust Company

to serve as custodian
for its investment portfolio.

Local 144 was looking for more cost effective and responsive bank services. Local 144 chose Custodial Trust Company (CTC) because of CTC's exceptional ability to process and report on securities transactions. In addition, Local 144 recognized that with CTC's innovative securities lending program, income from the lending program will exceed all custody costs. These savings can be put to work by Local 144 in more investments.

First City, Texas

has selected

Custodial Trust Company

as subcustodian.

First City, Texas chose Custodial Trust Company (CTC) so that First City's clients could participate in the CTC securities lending program. First City, Texas knows that this lending program has a track record of producing exceptional returns to institutional clients.

Colonial Penn

has selected

Custodial Trust Company

to serve as custodian
for its investment portfolio.

Colonial Penn has been looking for more cost effective and responsive bank services. As part of this program Colonial Penn chose Custodial Trust Company (CTC). There were two reasons: first, CTC's exceptional ability to process and report on securities transactions; second, with CTC's innovative securities lending program, income generated from the lending could exceed all custody costs.

CTC is an FDIC-insured New Jersey trust company. Along with securities lending, our services include trust, custody and clearing of government securities.

To see how CTC can put its innovative thinking to work for your institution, call Michael Minikes at (212) 272-2089 or Sandra J. Kinet at (212) 272-2087, Directors of CTC.

Custodial Trust Company

A subsidiary of The Bear Stearns Companies Inc.

ment management, participant recordkeeping, pension payroll, actively managed STIFs; downloading and report writer.

Monthly transaction and asset and liability reports are available in five to seven business days, and are available on-line; performance measurement reports are available in 10 to 15 business days.

New features include commercial checking account interface with the trust system.

Fees are based on market value, security transaction volume and the number of accounts using specific services. The fee for securities lending is based on a percentage of gross securities lending revenue; the fee for recordkeeping is based on the number of participants.

Allen R. Bradley, vice president, is client contact.

Mutual funds will be highlighted in the Oct. 2 issue.

First Trust

180 E. Fifth St., St. Paul, Minn. 55101;
(612) 223-7000

Domestic master trust assets	$2,917,000,000
Domestic master custodial	$1,544,000,000
Domestic master trust clients	28
Domestic master custodial clients	131
Account supervisors	5

First Trust's domestic master trust assets rose $85.5 million in the year ended June 30; domestic master custodial assets rose $81 million.

The primary accounting method is trade date with full accruals. Settlement date also is available.

Services offered in the basic master trust/master custodial agreement are custodial, trade date reporting, investment performance reporting, portfolio review, ERISA disclosure assistance, benefit disbursement and daily cash sweeps.

Services available for additional fees are participant recordkeeping, individual investment management, guaranteed investment contract funds, global custody, dial-up and securities lending.

Monthly transaction reports are available in one to three business days; asset and liability reports, five to eight business days; and performance measurement reports, 12 to 15 business days. Monthly transactions and daily asset and liability reports are available on-line.

New features include securities lending, expanded global custody network and a GIC fund.

Fees are calculated using a basis point charge, plus transactions.

Dave Bodine, vice president, is client contact.

First Wachovia Corp.

301 N. Main St., Winston-Salem, N.C.
27150; (919) 770-6348

Domestic master trust assets	$29,572,000,000
Domestic master custodial	$6,431,000,000
Domestic master trust clients	70
Domestic master custodial clients	30
Account supervisors	29

First Wachovia Corp.'s domestic master trust assets rose $6.472 billion in the year ended June 30; domestic master custodial assets rose $875 million.

The primary accounting method is full accrual-trade date adjusted. Settlement date also is offered.

Services offered in the basic master trust/master custodial agreement are custody of assets, benefit payments, ERISA reporting, cash management, fail float analysis, monthly reporting, plan accounting, on-line inquiry, legal administrative guidance, administration and daily pricing.

Services available for additional fees are securities lending, global custody, asset allocation, options and futures processing, participant recordkeeping, performance measurement, portfolio analysis and comparative performance, customized reporting, trade execution reporting, equity index fund, GIC fund, charitable unitized accounting, private foundation and tax preparation and deferred gift administration.

Monthly transaction reports are available in five business days; asset and liability reports, 10 business days; and performance measurement reports, 12 business days. All reports are available on-line.

New features include a proxy voting monitoring service and a flexible reporting system.

Fees are based on market value and transactions.

The domestic master trust and master custody-pension client contact is Jane B. Fisher. The master custody client contact for foundations and endowments is David C. Taylor.

First Wisconsin Trust Co.

777 E. Wisconsin Ave., Milwaukee,
Wis. 53202; (414) 765-4444

Domestic master trust assets	$2,212,000,000
Domestic master custodial	$1,823,000,000
Domestic master trust clients	26
Domestic master custodial clients	4
Account supervisors	6

First Wisconsin Trust Co.'s domestic master trust assets rose $418 million in the year ended June 30; domestic master custodial assets rose $313 million.

The primary accounting method is fully accrued trade date adjusted.

Services offered in the basic master trust/master custodial agreement are plan accounting (both dollar and unitized), care and custody of assets, transaction processing, cash management, consolidated and individual investment reviews and securities lending.

Services available for additional fees are on-line access, relative performance measurement, benefit payments, participant recordkeeping and absolute performance measurement.

Monthly transaction reports are available in two to three business days; asset and liability reports, seven to eight business days; and performance measurement reports, 10 to 12 business days. Transaction and asset and liability reports are available online.

New features include enhanced performance measurement and enhanced recordkeeping capabilities.

Fees are based on market value and individual services used.

Robert Aubrecht is client contact.

Harris Trust and Savings Bank

111 W. Monroe St., Chicago, Ill.
60603; (312) 461-2121

Domestic master trust assets	$45,700,000,000
Domestic master custodial	$2,300,000,000
Domestic master trust clients	75
Domestic master custodial clients	8
Account supervisors	14

Harris Trust and Savings Bank's domestic master trust assets rose $6.2 billion in the year ended June 30; domestic master custodial assets rose $1.149 billion.

The primary accounting method is accrual/trade date. Cash/settlement date also is offered.

Services offered in the basic master trust/master custodial agreement are custody, safekeeping, securities clearance, income collection, cash management, accounting and reporting.

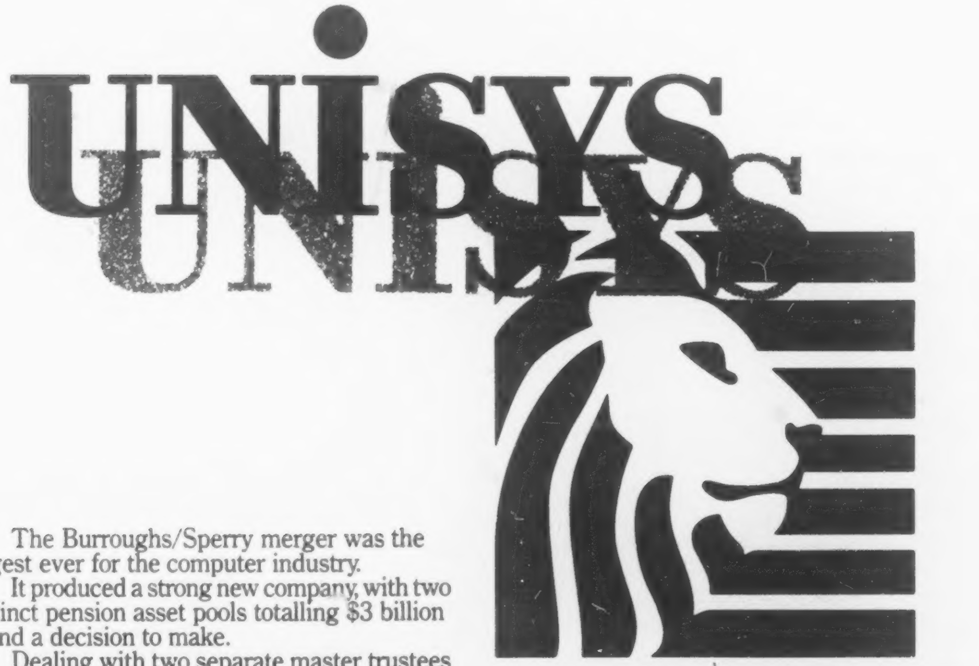
Services available for additional fees are global custody, benefit disbursements, securities lending, performance measurement, universe comparison, portfolio analysis and consulting, participant recordkeeping, on-line computer access with data download, custom cash management, custom reporting and systematic investment management.

Monthly transaction reports are available in two to three business days; asset and liability reports, three to seven business days; and performance measurement reports, 10 to 15 business days. Transaction, asset and performance reports are available online.

New features include Execu-Line graphics.

Fees are based on market value, transactions and individual services required.

When Burroughs And Sperry Merged Into Unisys, Which Master Trustee Did They Bring On Line?



The Burroughs/Sperry merger was the largest ever for the computer industry.

It produced a strong new company, with two distinct pension asset pools totalling $3 billion —and a decision to make.

Dealing with two separate master trustees was not practical.

So the Harris Bank, a proponent of the team approach to account management, was evaluated along with other well-known custodians who operated from the more traditional approach.

The Harris team came out on top.

One reason is that the Harris Bank team approach keeps Unisys' portfolio business from bogging down. So more business becomes doable. Easy access to Harris team members means instantaneous response, better communications, more flexibility and maximized synergy.

This all makes for timely and accurate reporting. With information more easily retrievable for Unisys, through our on-line data base. And it means portfolio changes are handled and settled smoothly, because our good working rapport with Unisys' investment managers eliminates operational hindrances. Maybe that's why Harris Bank is one of the favorite trustees among investment managers.

Why not find out how the Harris Bank team approach to Master Trust could help your company. Call our Marketing Representative at (312) 461-7956.

The Harris.
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Harris Trust and Savings Bank, 111 W. Monroe St., Chicago, IL 60603 Member FDIC, Federal Reserve System.

International Trust Co.

Royal Bank Plaza, P.O. Box 75.
Toronto, Ontario M5J 2J2; (416) 865-0515

Domestic master trust assets	$133,000,000
Domestic master custodial	$1,697,000,000
Domestic master trust clients	3
Domestic master custodial clients	9
Account supervisors	4

International Trust Co.'s primary accounting method is settlement date/full accrual. Trade date/full accrual also is available.

Services offered in the basic master trust/master custodial agreement are full stewardship reporting (daily, weekly, monthly); regulatory filings; trade custody and settlement; and qualitative and quantitative measurements to ensure regulatory compliance.

Services available for additional fees include specialized reporting.

Monthly transaction and asset and liability reports are available in four to 10 business days and are available on-line; performance measurement reports are available in 18 business days.

New features include enhanced performance measurement.

Fees are calculated using a basis point application to the custody components, plus activity fees.

Sheldon D. Smaye is client contact.

LaSalle National Bank

135 S. LaSalle St., Chicago, Ill. 60603; (312) 443-2000

Domestic master trust assets	$771,000,000
Domestic master custodial	$7,490,000,000
Domestic master trust clients	20
Domestic master custodial clients	300
Account supervisors	8

LaSalle National Bank's domestic master trust assets rose $6.7 million in the year ended June 30; domestic master custodial assets rose $6.7 million.

The primary accounting method is cash or accrual with other options offered.

Services offered in the basic master trust/master custodial agreement are trusteeship, custody, administration, plan accounting, performance measurement and lump sum distribution.

Services available for additional fees are pension checks, participant recordkeeping and loan accounting.

Monthly transaction reports, asset and liability reports and performance measurement reports are available in three business days. Asset and transactions statement reports are available on-line.

New features include improved off-site client inquiry capability and automatic use of multiple STIF options at the account level.

Fees are asset based.

The client contact is Robert Meiresonne.

Social investing will be highlighted in the Nov. 27 issue.

Manufacturers Hanover Trust Co.

450 W. 33rd St., 15th Floor, New York, N.Y. 10001; (212) 613-7900

Domestic master trust assets	$27,300,000,000
Domestic master custodial	$41,000,000,000
Domestic master trust clients	120
Domestic master custodial clients	1,093
Account supervisors	24

Manufacturers Hanover Trust's domestic master trust assets rose $1.3 billion in the year ended June 30; domestic master custodial assets rose $3 billion.

The primary accounting method is trade date. Actual and contractual settlement date also are offered.

Services offered in the basic master trust/master custodial agreement are full administrative services, legal administrative guidance, comprehensive monthly reports at the manager/plan level and master trust level, zero balance cash management, fail float management, options and futures processing and ERISA reporting.

Services available for additional fees are performance measurement, benefit disbursing and related tax reporting, plan accounting, participant recordkeeping, DRIP service, securities lending, TUCS comparisons, asset allocation/asset liability planning, actuarial services, global custody, customized reporting and on-line accounting and reporting.

Monthly transaction reports are available in five to 10 business days; asset and liability reports, in five to seven business days; and performance measurement reports, in three days after the last master trust accounting.

Transaction, asset/liability and performance measurement reports are available on-line.

New features include new on-line security pricing system and cash balance reporting available on VIOLA.

Fees are based on asset value and individual services.

Renee San Marco, vice president, is the client contact.

Marine Midland Bank

250 Park Ave., 3rd Floor, New York, N.Y. 10177; (212) 503-2713

Domestic master trust assets	$1,800,000,000
Domestic master custodial	$1,300,000,000
Domestic master trust clients	35
Domestic master custodial clients	51
Account supervisors	10

Marine Midland Bank's domestic master trust assets rose $300 million in the year ended June 30; domestic master custodial assets rose $100 million.

The primary accounting method is full accrual, trade date. Cash, modified cash and tax lot accounting also are offered.

Services offered in the basic master trust/master custodial agreement are trusteeship, safekeeping, income collection, effecting corporate actions, accounting reports, cash management and ERISA disclosure assistance.

Services available for additional fees are participant recordkeeping, performance measurement, portfolio analysis, portfolio review, securities lending, benefit disbursement, on-line access, plan accounting, investment management and options and futures processing.

Monthly transaction and asset and liability reports are available in five days and are available on-line; performance measurement reports, in 15 days.

Fees are based on asset values, plus transaction charges.

Stephen J. Hartman Jr., director, is client contact.

Marshall & Ilsley Trust Co.

770 N. Water St., Milwaukee, Wis. 53202; (414) 287-7187

Domestic master trust assets	$1,700,000,000
Domestic master custodial	$1,900,000,000
Domestic master trust clients	48
Domestic master custodial clients	7
Account supervisors	9

Marshall & Ilsley Trust Co.'s domestic master trust assets rose $300 million in the year ended June 30; domestic master custodial assets, $130 million.

The primary accounting method is accrual.

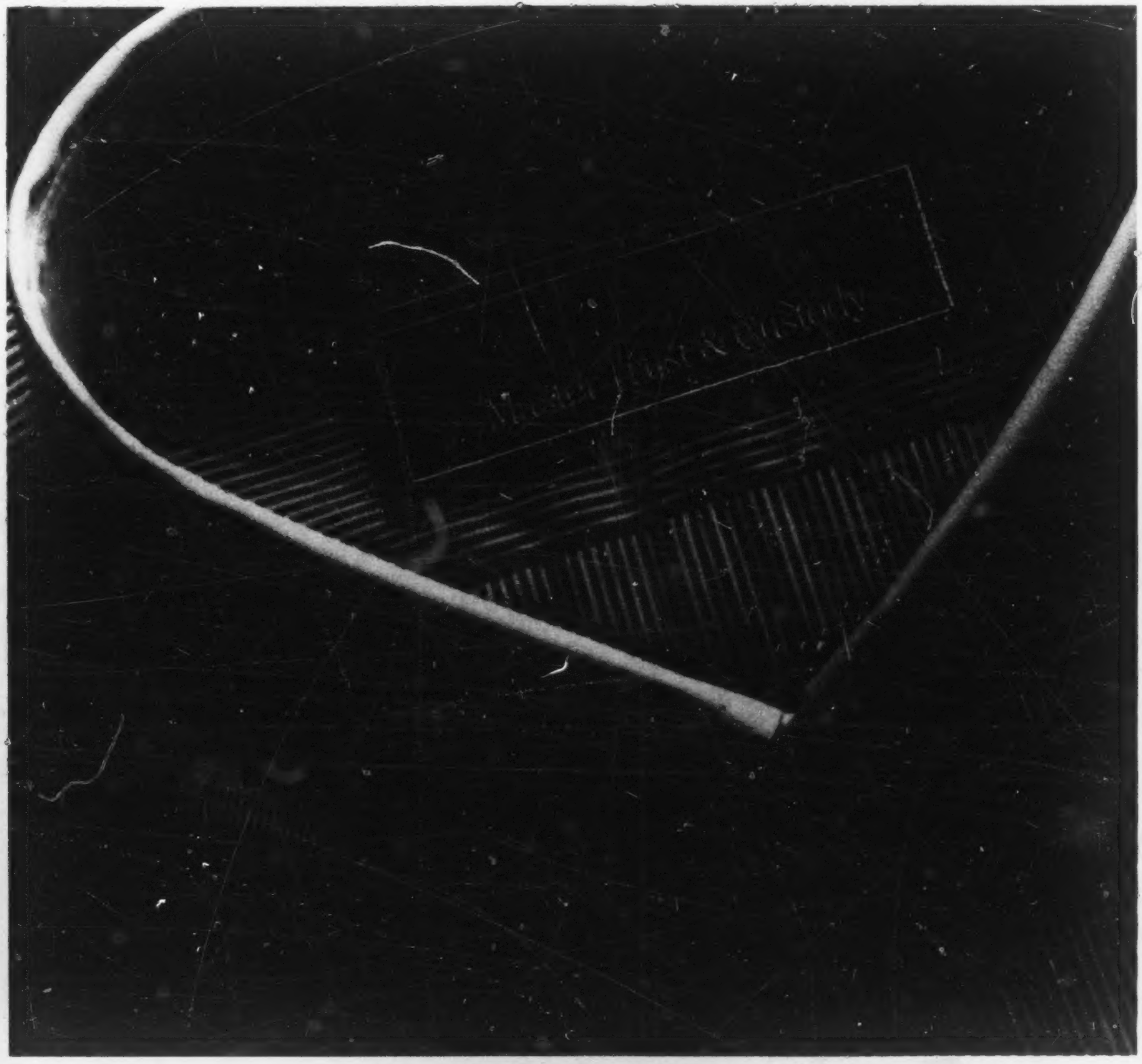
Services offered in the basic master trust/master custodial agreement are performance measurement, ERISA disclosure, benefit disbursement, investment management and participant recordkeeping.

Services available for additional fees are on-line access to trust account, participant recordkeeping and pension payment information; and data downloading.

Monthly transaction, asset and liability and performance measurement reports are available in five to seven business days. Transactions and asset and liability reports are available on-line.

Fees for domestic services are based on asset value and individual services.

Morry L. Birnbaum, vice president, is client contact.



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404-588-8206.

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Mellon Bank

1 Mellon Bank Center, Suite 3335,
Pittsburgh, Pa. 15258; (412)
234-5535

Domestic master trust assets	$106,396,000,000
Domestic master custodial	$31,829,000,000
Domestic master trust clients	119
Domestic master custodial clients	44
Account supervisors	24

Mellon Bank's domestic master trust assets rose $14.342 billion in the year ended June 30; domestic master custodial assets rose $19.259 billion.

The primary accounting method is trade date fully accrued. Cash accounting also is offered.

Services offered in the basic master trust/master custodial agreement are conversion, administration, automated cash sweep, cash management and accounting and reporting.

Services available for additional fees are securities lending, global custody, participant recordkeeping, pension disbursement, performance measurement, options and futures processing and on-line services.

Monthly transaction reports are available in three days; asset and liability reports, three to five days; and performance measurement reports, three to five weeks. All are available on-line.

New features include new client on-line access, on-line performance analytics and participant recordkeeping voice inquiry.

Fees are based on account base, asset value and transactions.

Darryl F. Fluhme is client contact.

Montreal Trust Co. of Canada

15 King St. West, Toronto, Ontario
M5H 1B4; (416) 860-5555

Domestic master trust assets	$6,858,000,000
Domestic master trust clients	100
Account supervisors	14

Montreal Trust Co. of Canada's assets are as of March 31, 1989. The primary accounting method is settlement date.

Services offered in the basic master trust/master custodial agreement are corporate trusteeship for consolidated pension funds, consolidated accounting, government reporting, automated crediting and allocation of dividends and interest, trust documentation, benefit payments, securities lending, global custody, options processing, on-line and microcomputer reporting, index fund, short-term investment fund unitization, transactions fees, dial-up systems, customized reports, Department of National Revenue, audit letters, mortgage administration, strip coupon custody and wire transfers.

Monthly transaction and asset and liability reports are available on the 10th business day and performance measurement reports, on the 15th business day.

Basic accounting and portfolio data are available on-line.

Fees are based on the average book value of the fund.

Gordon Divitt, vice president, is client contact.

National Trust Co.

21 King St. E, Toronto, Ontario M5C
1B3; (416) 361-3844

Domestic master trust assets	$8,900,000,000
Domertic master trust clients	62
Account supervisors	17

National Trust's primary accounting method is contractual settlement date.

Services offered in the basic master trust/master custodial agreement are custody, settlement, income collection, foreign custody, pension payments and terminations.

Services available for additional fees are securities lending and performance measurement.

Monthly transaction reports are available in five business days; asset and liability reports, in 10 business days.

Performance measurement reports are available in four weeks.

Fees are based on assets, transactions and special work.

Paul Lewis is client contact.

National Bank of Detroit

611 Woodward, Detroit, Mich. 48226;
(313) 225-2660

Domestic master trust assets	$12,273,000,000
Domestic master custodial	$17,892,000,000
Domestic master trust clients	140
Domestic master custodial clients	52
Account supervisors	13

National Bank of Detroit's domestic master trust assets rose $1.097 billion in the year ended June 30; domestic master custodial assets rose $370 million.

The primary accounting methods are trade date and settlement date.

Services offered in the basic master trust/master custodial agreement are custody, benefit disbursements, cash management, performance measurement, portfolio review, securities lending, global custody and on-line data monitoring capabilities.

Services available for additional fees are participant recordkeeping and investment management.

Monthly transaction and asset and liability reports are available in five to seven business days; performance measurement reports, in five to 30 business days. All are available on-line.

New features include enhanced global custody services.

Fees are based on asset value and transactional analysis.

Jon R. Mittler is client contact.

NCNB Texas

P.O. Box 83100, Dallas, Texas
75283-1000; (214) 922-7696

Domestic master trust assets	$23,900,000,000
Domestic master custodial	$12,200,000,000
Domestic master trust clients	189
Domestic master custodial clients	61
Account supervisors	17

There was no increase in NCNB Texas' domestic master trust and domestic master custodial assets during the year ended June 30.

The primary accounting method is trade date (full accrual). Settlement date and cash or accrual methods also are offered.

Services offered in the basic master trust/master custodial agreement are client on-line reporting and downloading; on-line DTC securities processing; on-line cash management and forecasting; fail float earnings; accounting reports; global custody; plan accounting and reporting; pre-crediting dividends and interest on payable date in good funds; daily pricing; on-line benefit payments and control disbursement; securities lending; options and futures processing; on-line performance measurement and analytics; asset allocation and simulation services; on-line investment manager affirmation; on-line cash management sweep services; and on-line institutional custody service.

Services available for additional fees are TUCS; 401(k) and ESOP administration; government reporting; stock and bond index funds; portfolio risk insurance; GIC wholesale service; dedicated bond portfolios; performance consulting; transition manager service; and international, real estate, futures and options and energy investing.

Monthly transaction reports are available in two business days; asset and liability reports, three to five business days; and performance measurement reports, 10 business days. All reports are available on-line.

New features include on-line global custody reporting, electronic mail services, enhanced corporate reorganization procedures, an enhanced securities lending system and an enhanced on-line system.

Fees are based on a percentage of market value, plus transactions.

Kurt N. Kinney is client contact.

The Northern Trust Co.

50 S. LaSalle St., Chicago, Ill. 60675;
(312) 630-6000

Domestic master trust assets	$106,000,000,000

$ $ $ $ $

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212 820-5314

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Domestic master custodial	$54,000,000,000
Domestic master trust clients	218
Domestic master custodial clients	65
Account supervisors	65

The Northern Trust Co.'s domestic master trust assets rose $1.889 billion in the year ended June 30; domestic master custodial assets rose $19.111 billion.

The primary accounting method is settlement date, fully accrued. Trade date reporting also is offered.

Services offered in the basic master trust/master custodial agreement are administration, custody of assets, trade settlement, income collections, daily pricing, coding, capital structure changes, automated tax lot accounting, investment reports and automated cash sweeps.

Services available for additional fees are global custody; electronic delivery system; performance measurement; cash, structured and traditional investments; securities lending; benefit payments; and options and futures accounting.

Monthly transaction reports are available in three business days; asset and liability reports, five business days; and performance measurement reports, 19 to 25 days. All reports are available on-line.

New features include international securities lending and a real asset system.

Fees are based on the number of investment managers, the number and type of transactions and market value of assets.

Thomas W. Kimen, senior vice president, is client contact.

Norwest Bank Minnesota

Sixth Street and Marquette Avenue,
Minneapolis, Minn. 55479-0035;
(612) 667-0694

Domestic master trust assets	$2,700,000,000
Domestic master custodial	$1,100,000,000
Domestic master trust clients	17
Domestic master custodial clients	2
Account supervisors	2

Norwest Bank Minnesota's domestic master trust assets rose $300 million in the year ended June 30; domestic master custodial assets rose $125 million.

The primary accounting method is trade date.

Services offered in the basic master trust/master custodial agreement are custody reporting, performance measurement and cash management.

Services available for additional fees are securities lending and performance comparison on-line access.

Monthly transaction reports are available in two business days; asset and liability reports, five business days; and performance measurement reports, 10 business days. All reports are available on-line.

New features include on-line capability.

Fees are based on a combination of account related, value related and transaction volume charges.

Gale Friedrich, vice president, is client contact.

Royal Trust Corp. of Canada

P.O. Box 7500, Station A, Toronto,
Ontario M5W 1P9; (416) 981-7000

Domestic master trust assets	$12,050,000,000
Domestic master trust clients	117
Account supervisors	15

Royal Trust Corp. of Canada's domestic master trust assets rose $2.223 billion in the year ended June 30.

The primary accounting method is settlement date. Full adjustment to trade date in financial statements also is offered.

Services offered in the basic master trust/master custodial agreement are full safe-custody; Canadian, U.S. and overseas settlement and income collection (income anticipated on U.S. and Canadian); corporate changes; automatic credit for maturities redemption; expiry date notification; full financial reporting, including total fund and component return calculations; and full benefit payment services.

Services available for additional fees are performance measurement and analysis; securities lending; on-line entry and inquiry; downloading; asset/liability forecasting; global custody; domestic and foreign investment management; and benefit plan communication consulting.

Monthly transaction reports are available in three to four days; asset and liability reports, 10 to 20 days; and performance measurement reports, in seven weeks. Transactions and asset reports are available on-line.

New features include expanded optional services and improved consulting capabilities.

Fees are based on asset value and transaction and report charges.

Richard Holloway, director-pension services, is the client contact.

Security Pacific Bank

333 S. Grand Ave., Suite 1740, Los
Angeles, Calif. 90071; (213)
229-2996

Domestic master trust assets	$5,000,000,000
Domestic master custodial	$54,000,000,000
Domestic master trust clients	18
Domestic master custodial clients	44
Account supervisors	15

Security Pacific Bank's domestic master trust assets rose $800,000 in the year ended June 30; domestic master custodial assets rose $3 billion.

The primary accounting method is trade date. Cash, contractual and accrual methods also are offered.

Services offered in the basic master trust/master custodial agreement are clearing, safekeeping, income collection, reporting, on-line access, capital change notification, ERISA reporting and unitized accounting.

Services available for additional fees are performance measurement, investment management, global custody, securities lending, benefit payments and analytics.

Monthly transaction reports are available the next day; asset and liability reports, five to seven days; and performance measurement reports, two to three weeks. Transaction and asset and liability reports are available on-line.

New features include performance measurement, global custody, and a real time trade input and status system.

Fees are based on base administration and transactions.

Brad Marcus is client contact.

Security Trust Co.

2 N. Charles St., P.O. Box 995,
Baltimore, Md. 21203; (301)
347-9070

Domestic master trust assets	$679,000,000
Domestic master custodial	$3,657,000,000
Domestic master trust clients	18
Domestic master custodial clients	10
Account supervisors	14

Security Trust Co.'s domestic master trust assets rose $45 million in the year ended June 30; domestic master custodial assets rose $96 million.

The primary accounting method is cash. Reports also can be generated on an entitlement basis.

Services offered in the basic master trust/master custodial agreement are trade settlements, safekeeping, income collection, transaction reporting, portfolio valuations, cash sweeps and annual reporting.

Services available for additional fees are customized reports, remote terminal access, performance measurement, global custody, securities lending, participant recordkeeping, consulting, benefit disbursements and investment management services.

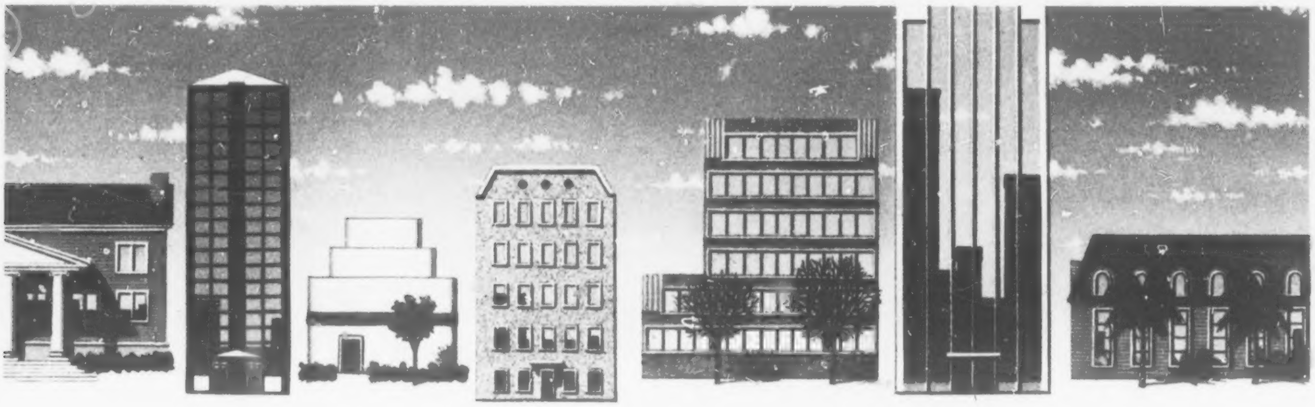
Monthly transaction reports are available in four business days; asset and liability reports, eight business days; and performance measurement reports, 15 business days. All reports are available on-line.

New features include employee benefit consulting services.

Fees are based on market value and transactions.

Patricia L. Potter is master trust client contact.

Kathy A. Jackson is the master cus-



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*Registered trademark of Wilshire Assoc.

State Street Bank & Trust
P.O. Box 1992, Boston, Mass. 02101;
(617) 847-7490

Domestic master trust assets	$114,527,000,000
Domestic master custodial	$123,965,000,000
Domestic master trust clients	198
Domestic master custodial clients	89
Account supervisors	84

State Street Bank & Trust Co.'s domestic master trust assets rose $23.693 billion in the year ended June 30; domestic master custodial assets rose $24.564 billion.

The primary accounting method is true trade date, full accrual. Settlement date also is offered.

Services offered in the basic master trust/master custodial agreement are trusteeship; safekeeping; management; trade settlement; income collection; corporate action monitoring; daily, weekly, monthly valuation; fiduciary control; plan accounting; and on-line access.

Services available for additional fees are country selection; global asset allocation; domestic and international index funds; global custody (multicurrency reporting); performance measurement universe; portfolio analytics; BARRA model; asset allocation; global performance; securities lending; and dividend reinvestment.

Monthly transaction reports are available in three to seven days; asset and liability reports, five to seven days; and performance measurement reports, seven to nine days. All reports are available on-line.

New features include on-line access to equity and fixed-income fundamentals; tactical asset allocation; global performance measurement; global asset allocation; country fund; South Africa-free EAFE index fund; and international securities lending.

Fees are based on asset value, transaction and portfolio charges.

Frank D. Antin, senior vice president-master trust services, is client contact.

Trust Co. Bank
P.O. Box 4655, Atlanta, Ga. 30302;
(404) 827-6698

Domestic master trust assets	$1,312,000,000
Domestic master custodial	$2,123,000,000
Domestic master trust clients	21
Domestic master custodial clients	11
Account supervisors	8

Trust Co. Bank's domestic master trust assets rose $460 million in the year ended June 30; domestic master custodial assets rose $369 million.

The primary accounting method is trade date accrual. Contractual settlement date basis and cash basis also are offered.

Services offered in the basic master trust/master custodial agreement are directed trade settlement, safekeeping, income collection, cash management and financial reporting.

Services available for additional fees are global custody, performance measurement, securities lending, on-line access, participant recordkeeping and benefit payments.

Monthly transaction reports are available in five days; asset and liability reports, five days; and performance measurement reports, 20 days. Transactions and asset and liability reports are available on-line.

Fees are based on market value and transaction charges.

Roger M. Birkholz, vice president, is client contact.

United States Trust Co.
45 Wall St., New York, N.Y. 10005;
(212) 806-4500

Domestic master trust assets	$14,700,000,000
Domestic master custodial	$5,000,000,000
Domestic master trust clients	100
Domestic master custodial clients	45
Account supervisors	26

United States Trust Co.'s domestic master trust assets rose $2.1 billion in the year ended June 30; domestic master custodial assets rose $400 million.

The primary accounting method is trade date with full accrual on an average cost basis. Contractual date with full accrual on an average cost basis, low cost, high cost, amortization, accretion, LIFO and FIFO methods also are offered.

Services offered in the basic master trust/master custodial agreement are fu monthly and annual accounting; on-line accounting; cash projection; Form 5500; options and futures processing; legal and regulatory reporting; cash management; STIF sweep; corporate actions; proxy notifications; income collection; and trade settlement.

Services available for additional fees are performance measurement; securities lending; investment consulting; global custody; benefit payments; passive management; recordkeeping; customized short-term money management; customized reporting; trade execution monitoring; and CPU to CPU interface and downloading capabilities.

Monthly transaction reports are available in two to three business days; asset and liability reports, five to seven business days; and performance measurement reports, six to eight business days. All reports are available on-line.

New features include month-end and period-to-date on-line accounting.

Fees are based on market value and transaction volume.

Joseph DelliCarpini, vice president, is client contact.

Wilmington Trust Co.
Rodney Square North, Wilmington,
Del. 19890; (302) 651-1000

Domestic master trust assets	$13,790,000,000
Domestic master custodial	$411,000,000
Domestic master trust clients	10
Domestic master custodial clients	4
Account supervisors	5

Wilmington Trust Co.'s domestic master trust assets rose $1.115 billion in the year ended June 30; domestic master custodial assets rose $145 million.

The primary accounting method is trade date, fully accrued. Contractual settlement date and cash accounting also are offered.

Services offered in the basic master trust/master custodial agreement are custody, cash management, master trust reporting, options and futures processing and performance measurement.

Services available for additional fees are investment and analytic services, on-line access, securities lending, global custody, pension disbursement and participant recordkeeping.

Monthly transaction reports are available in one day; asset and liability reports, two days. Performance measurement reports are available in 12 days.

Monthly transactions and asset and liability reports are available on-line.

New features include enhanced performance measurement.

Fees are based on asset value and transaction charges.

Barbara A. Uberti, vice president, is client contact.

Global custodians ranked by total assets worldwide

(U.S. $ millions)

Firm	Total*
Chase Manhattan	68,000
Citibank	52,000
State Street Bank	50,809
Morgan Guaranty	40,000
Manufacturers Hanover	25,000
Bank of New York	23,900
Northern Trust	13,200
Boston Safe Deposit	11,100
Bankers Trust	10,600
Bank of America	10,500
Mitsubishi	8,000
Morgan Stanley Trust	7,400
Security Pacific	6,000
First Nat'l-Chicago	4,757
Harris Trust	4,000
Trust Co. Bank	3,790
U.S. Trust	2,694
Mellon Bank	1,900
First Trust	1,600
Continental Bank	1,500
Wilmington Trust	1,100
First Wachovia	759
First Pennsylvania Bank	570
NCNB Texas	500
Nat'l Bank-Detroit	470
Norwest Bank Minnesota	450
First Interstate-California	320
Boatmen's Trust	237
Barclays Bank	33
Total	351,189

* Doublecounting may be included because of subcustodial relationships.

Global custody

Bank of America
555 California St., San Francisco, Calif.
94104; (415) 953-6104

Total global custody assets	$10,500,000,000
U.S. tax-exempt global custody	$1,256,000,000
U.S. taxable global custody	$448,000,000
U.S. tax-exempt global custody clients	7
U.S. taxable global custody clients	17
Account supervisors	4

Of Bank of America's $1.256 billion in global custody assets for U.S. tax-exempt clients, $1.16 billion is overseen on its behalf by subcustodians.

The three primary subcustodians in its network are Bank of America Tokyo, Deutsche Bank and Swiss Bank Corp.

The United States is served directly and 27 countries are served by subcustodians.

Foreign exchange capabilities are offered in all major currencies and markets.

Foreign tax withholding assistance is offered in all countries where securities are held.

Fees are calculated on a basis point charge of total portfolio market value and are all inclusive, with no clearance or safekeeping fees carried forward from the subcustodian.

There bank does not charge for foreign currency and money transfer services.

Monthly transaction, asset/liability and performance measurement reports are available in three to 10 days. Transaction reports are available on-line.

Robert F. Dermann, vice president-sales marketing, is client contact.

Infoshare

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CONTACT: JOSEPH D. VIERNO
GLOBAL CUSTODY GROUP
75 WALL STREET
NEW YORK, NY 10265
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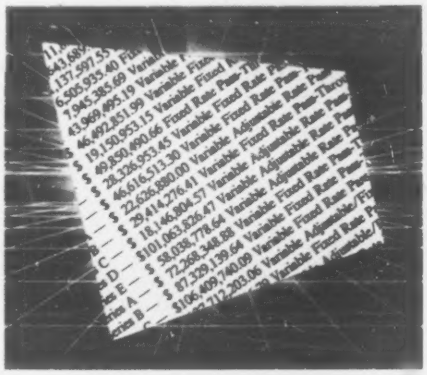

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- releasing non-mortgage trust assets, and . . .
- improving administrative and accounting reporting requirements.

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- provides customized reporting, and . . .
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The Bank of New York

48 Wall St., New York, N.Y. 10015;
(212) 495-1784

Total global custody assets	$23,900,000,000
U.S. tax-exempt global custody	$3,500,000,000
U.S. taxable global custody	$20,400,000,000
U.S. tax-exempt global custody clients	20
U.S. taxable global custody clients	730
Account supervisors	45

All of Bank of New York's $3.5 billion in global custody assets for U.S. tax-exempt clients are overseen on its behalf by subcustodians.

Its subcustodial network services 24 countries, and foreign exchange capabilities and foreign tax withholding assistance are offered in all 24.

Fees are based on market asset value, transactions and activity, portfolio structure and services required.

Monthly transaction and asset/liability reports are available in five days; performance measurement reports, in 10 days. Transaction and asset reports are available on-line.

Barbara A. Douglas, senior vice president, is client contact.

Bankers Trust Co.

280 Park Ave., New York, N.Y. 10017;
(212) 850-4652

Total global custody assets	$16,550,000,000
U.S. tax-exempt global custody	$5,558,000,000
U.S. taxable global custody	$132,000,000
U.S. tax exempt global custody clients	44
U.S. taxable global custody clients	1
Account supervisors	6

Of Bankers Trust's $5.558 billion in global custody assets for U.S. tax-exempt clients, $4.097 billion is overseen on its behalf by subcustodians and $75 million constitutes subcustodial accounts it oversees for others.

Countries served directly are the United Kingdom and the United States. In addition, 26 countries are served by subcustodians.

Foreign exchange capabilities are offered in all major currencies.

Foreign tax withholding assistance is offered in all countries it services directly or through its subcustodial network.

Fees are based on transaction volumes, asset size and distribution across markets.

Monthly transaction and asset/liability reports are available in eight to 10 business days; performance measurement reports, in three to four weeks.

Mary Ann Schreiber, vice president, is client contact.

Barclays Bank PLC

75 Wall St., New York, N.Y. 10265;
(212) 412-3546

Total global custody assets	$33,000,000
U.S. tax-exempt global custody	$0
U.S. taxable global custody	$0
U.S. tax-exempt global custody clients	0
U.S. taxable global custody clients	0

Barclays Bank has provided global custody services internationally since 1979 and introduced the service to U.S. clients on Jan. 1.

Countries served directly are the Netherlands, Ireland, Switzerland, Channel Islands, Portugal, the United Kingdom, Spain, Italy, France, the United States, Canada, Hong Kong, Singapore, Australia, Japan, and New Zealand. In addition, 15 other countries are served by subcustodians.

Foreign exchange capabilities and foreign tax withholding assistance are offered in all countries serviced, both directly and by the subcustodial network.

Fees are based on assets held, transaction activity by country and reporting requirements.

Monthly transaction, asset/liability and performance measurement reports are available in five business days. All are available on-line.

Joseph D. Vierno is client contact.

Boatmen's Trust Co.

510 Locust St., St. Louis, Mo. 63101;
(314) 436-9263

Total global custody assets	$237,000,000
U.S. tax-exempt global custody	$218,000,000
U.S. taxable global custody	$19,000,000
U.S. tax-exempt global custody clients	81
U.S. taxable global custody clients	82
Account supervisors	5

All of Boatmen's Trust's $218 million in global custody assets for U.S. tax-exempt clients is overseen on its behalf by subcustodians.

The two primary subcustodians in its network are Chase Manhattan and Bankers Trust, both in New York.

There are 25 countries serviced by the subcustodial network.

Foreign exchange capabilities are offered by Bankers Trust in all countries with an organized banking facility, conducting foreign exchange.

Foreign tax withholding assistance is offered in 20 countries.

Fees are calculated on a base charge rate of $16,000 per year; on a market value of 15 basis points per year; and a charge of $50 per transaction.

Monthly transaction reports are available in up to five days; asset/liability reports, in five to 10 days; and performance measurement reports, in 15 days. All are available on-line.

Richard W. Hibbs is client contact.

Boston Safe Deposit and Trust Co.

1 Boston Place, Boston, Mass. 02108;
(617) 722-7000

Total global custody assets	$11,100,000,000
U.S. tax-exempt global custody	$5,513,000,000
U.S. taxable global custody	$5,587,000,000
U.S. tax-exempt global custody clients	43
U.S. taxable global custody clients	35
Account supervisors	8

Of Boston Safe Deposit's $5.513 billion in global custody assets for U.S. tax-exempt clients, $5.143 billion is overseen on its behalf by subcustodians and $370 million constitutes subcustodial accounts it oversees for others.

The three primary subcustodians in its network are Mitsubishi Bank Ltd., Tokyo; Boston Safe Deposit & Trust Co., London; and National Australia Bank, Melbourne. The three top institutions for which it acts as subcustodian are Montreal Trust, Montreal; Banque Generale du Luxembourg; and Trustmark Bank, Jackson, Miss.

There are 27 countries serviced by subcustodians.

Foreign exchange capabilities are offered in all currencies through the Boston and London offices.

Foreign tax withholding assistance is offered in all 27 countries through the subcustodian network. A PC-based tracking system also is offered.

Fees are based on account structure, as well as the assets and transaction costs by country.

Monthly transaction reports are available in two days; asset and liability reports, in five days; and performance measurement reports, in 10 days. Accounting and performance measurement reports are available on-line.

John L. Carty, senior vice president, is client contact.

Chase Manhattan Bank

1211 Sixth Ave., 30th Floor, New York,
N.Y. 10036; (212) 730-4219

Total global custody assets	$68,000,000,000
U.S. tax-exempt global	$20,700,000,000
U.S. taxable global custody	$16,300,000,000
U.S. tax-exempt global custody clients	39
U.S. taxable global custody clients	33
Account supervisors	18

Of Chase Manhattan's $20.7 billion in global custody assets for U.S. tax-exempt clients, $8.8 billion is overseen on its behalf by subcustodians and $4.4 billion constitutes subcustodial accounts it oversees for others.

The three primary subcustodians in its network are Cedel, Luxembourg; Berliner Handles und Frankfurter Bank, West Germany; and National Australia Bank, Australia.

Countries served directly are Argentina, Brazil, Chile, Hong Kong, Japan, Singapore, Turkey, the United Kingdom and the United States. In addition, 24 countries are served by subcustodians.

Foreign exchange capabilities are offered in all 33 countries serviced by the bank's direct and subcustodial global network.

Foreign tax withholding assistance is offered directly by Chase Manhattan in 26 countries serviced by the global custody network (regardless of direct or subcustodial custody arrangements). Subcustodians arrange foreign tax withholding in Australia, Belgium, Canada, France, Greece and the Netherlands.

Global custody fees are based on market value, transaction type and volume, portfolio type and volume by country.

Monthly transaction and asset and liability reports are available in three to seven business days; performance measurement reports, in 10 to 15 days. All global accounting and transaction reports are available on-line.

Cathy Lee, vice president, is client contact.

Citibank

111 Wall St., Third Floor, New York,
N.Y. 10043; (212) 657-7071

Total global custody assets	$52,000,000,000
U.S. tax-exempt global custody	$5,000,000,000
U.S. taxable global custody	$2,000,000,000
U.S. tax-exempt global custody clients	17
U.S. taxable global custody clients	40
Account supervisors	16

Of Citibank's $5 billion in global custody assets for U.S. tax-exempt clients, $600 million is overseen on its behalf by subcustodians and $300 million constitutes subcustodial accounts it oversees for others.

The three primary subcustodians in its network are Cedel, Luxembourg; Canada Trust, Canada; and Banque Paribas, France.

Countries served directly are Argentina, Austria, Australia, Brazil, Greece, Hong Kong, Italy, Japan, Korea, Malaysia, Mexico, the Netherlands, the Philippines, Puerto Rico, Singapore, Spain, Switzerland, Taiwan, Thailand, the United Kingdom, the United States, and West Germany. In addition, 11 countries are served by subcustodians.

Foreign exchange capabilities are provided in New York, London and other Citibank locations worldwide.

Foreign tax withholding assistance is offered directly in Argentina, Australia, Austria, Greece, the Netherlands, Italy, Japan, Malaysia, Mexico, Singapore, Spain, Switzerland, Thailand, the United Kingdom, and West Germany. Foreign tax reclaim support is offered by subcustodians in 11 other countries.

Fees are based on asset value, transaction volume, and reporting requirements.

Monthly transaction reports and asset/liability reports are available in two to 10 business days; and performance measurement reports, on the 15th day following receipt of all information. All reports are available on-line.

Kevin Smith, vice president, is client contact.

Continental Bank

231 S. LaSalle St., Chicago, Ill. 60174;
(312) 828-4038

Total global custody assets	$1,500,000,000
U.S. tax-exempt global custody	$200,000,000
U.S. taxable global custody	$1,300,000,000
U.S. tax-exempt global custody clients	3
U.S. taxable global custody clients	15
Account supervisors	4

All of Continental Bank's $200 million in global custody assets for U.S. tax-exempt clients, is overseen on its behalf by subcustodians.

The three primary subcustodians in its network are Dai Ichi Kangyo Bank, Japan; Euroclear; and the Bank of Scotland, the United Kingdom.

There are 22 countries served by its subcustodial network, which also offers foreign exchange capabilities and foreign tax withholding assistance.

Fees are based on market value and transaction charges.

Monthly transaction and asset and liability reports are available in seven business days after period end; performance measurement reports are available in 25 calendar days. Monthly transaction and asset and liability reports are available on-line.

Cheryl A. Derezinski is the client contact.

First Interstate Bank of California

707 Wilshire Blvd., W10-1, Los
Angeles, Calif. 90017; (213)
614-3210

Total global custody assets	$320,000,000
U.S. tax-exempt global custody	$90,000,000
U.S. taxable global custody	$230,000,000
U.S. tax-exempt global custody clients	3
U.S. taxable global custody clients	50
Account supervisors	2

All of First Interstate Bank of California's $90 million in global custody assets for U.S. tax-exempt clients is overseen on its behalf by subcustodians.

The primary subcustodian in its network is Chase Manhattan.

There are 25 countries served by the subcustodian network. Foreign exchange capabilities are offered through the subcustodian in all 25 countries.

Fees are based on market value and transaction volume.

Monthly transaction, asset and liability and performance measurement reports are available in 10 days. Transaction reports are available on-line.

Deborah Dilley, vice president and manager-institutional trust sales, is client contact.

The First National Bank of Chicago

1 First National Plaza, Chicago, Ill.
60670; (312) 732-8130

Total global custody assets	$4,757,000,000
U.S. tax-exempt global custody	$974,000,000
U.S. taxable global custody	$3,783,000,000
U.S. tax-exempt global custody clients	7
U.S. taxable global custody clients	22
Account supervisors	4

Of First National Bank of Chicago's $974 million in global custody assets for U.S. tax-exempt clients, $950 million is overseen on its behalf by subcustodians.

The three primary subcustodians in its network are Euroclear, Brussels; Royal Bank of Scotland, United Kingdom; and Bank of Tokyo, Japan.

The United States is served directly. In addition, 22 countries are served by subcustodians.

Foreign exchange capabilities and foreign tax withholding assistance are offered in all 22 countries.

Fees are based on a percentage of asset value (minimum $1,000 per month) plus transaction fees at fixed-rates per type of transaction/foreign country bands (includes subcustodian charges).

Monthly transaction reports are available in two days; asset and liability reports, five days; and performance measurement reports, five days. All reports are available on-line.

Brian G. Clarke, vice president, is client contact in the United States. Ian K. Watson, vice president, is client contact in the United Kingdom at 01-240-7240

First Pennsylvania Bank

1600 Market St., Philadelphia, Pa.
19101; (215) 786-8045

Total global custody assets	$570,000,000
U.S. tax-exempt global custody	$550,000,000
U.S. taxable global custody assets	$20,000,000
U.S. tax-exempt global custody clients	10
U.S. taxable global custody clients	2
Account supervisors	4

All of First Pennsylvania Bank's $550 million in global custody assets for U.S. tax-exempt clients are overseen on its behalf by subcustodians.

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The three primary subcustodians in its network are State Street Boston and London, for Canada; Citibank for the United Kingdom; and Sumitomo Trust for Japan.

The United States is served directly. In addition, 18 countries are served by subcustodians.

Foreign exchange capabilities are offered according to investment manager request.

Foreign tax withholding assistance is offered according to client requirements.

Fees are based on transactions, portfolio accounting, and holding charges by country and settlement requirements.

Monthly transaction and asset and liability reports are available in 10 days; performance measurement reports, 20 days. Transaction and unaudited asset valuation reports are available on-line.

Allen R. Bradley, vice president, is client contact.

First Trust

180 E. Fifth St., St. Paul, Minn. 55101;
(612) 223-7000

Total global custody assets	$1,600,000,000
U.S. tax-exempt global custody	$15,000,000
U.S. taxable global custody	$1,585,000,000
U.S. tax-exempt global custody clients	3
U.S. taxable global custody clients	55
Account supervisors	5

Of First Trust's $15 million in global custody assets for U.S. tax-exempt clients, $14 million is overseen on its behalf by subcustodians.

There are 20 countries are served by its subcustodian network.

Foreign exchange capabilities are offered in all network countries except Thailand.

Foreign tax withholding assistance is offered in all 20 countries.

Fees are calculated quarterly based on transaction charges, issue charge and inventory basis point, plus reimbursement for foreign out-of-pocket expenses.

Monthly transaction reports are available in five business days; asset and liability reports, in eight business days; and performance measurement reports, by the 15th of the following month. Monthly transaction and asset reports are available on-line.

The client contacts are Michael Derck, assistant vice president-global custody product, and Dave Bodine and Bob Spies, both vice presidents.

First Wachovia Corp.

P.O. Box 3099, Winston-Salem, N.C.
27150; (919) 770-3348

Total global custody assets	$759,000,000
U.S. tax-exempt global custody	$723,000,000
U.S. taxable global custody assets	$36,000,000
U.S. tax-exempt global custody clients	10
U.S. taxable global custody clients	6
Account supervisors	5

All of First Wachovia Corp.'s $723 million in global custody assets for U.S. tax-exempt clients is overseen on its subcustodians. The primary subcustodian is Chase Manhattan Bank.

There are 14 countries served by the subcustodian network. Foreign exchange capabilities and foreign tax withholding assistance are offered in all 14 countries.

Fees are based on market value and transaction volume.

Monthly transaction reports are available after five business days; asset and liability reports, after 10 business days; and performance measurement reports, after 12 business days. All reports are available on-line.

The client contact is Jane B. Fisher.

Harris Trust and Savings Bank

111 W. Monroe St., Chicago, Ill.
60603; (312) 461-2121

Total global custody assets	$4,000,000,000
U.S. tax-exempt global custody	$3,940,000,000
U.S. taxable global custody assets	$60,000,003
U.S. tax-exempt global custody clients	35
U.S. taxable global custody clients	3
Account supervisors	6

All of Harris Trust's $3.94 billion in global custody assets for U.S. tax-ex-

by subcustodians. A primary subcustodian is Mitsubishi Bank, California.

There are 21 countries served by the subcustodial network, with foreign exchange capabilities are offered in all countries. Foreign tax withholding assistance is offered in all countries where applicable.

Fees are calculated on a geographic band.

Monthly transaction and asset and liability reports are available in 10 days; performance measurement reports, in 15 days.

Transaction and position reports are available on-line, in U.S. dollar equivalents only.

Gary A. Rothman is client contact.

Manufacturers Hanover Trust Co.

7 Princes St., London EC2P 2LR,
U.K.; (01) 315-6341

Total global custody assets	$25,000,000,000
U.S. tax-exempt global custody	$400,000,000
U.S. taxable global custody	$3,500,000,000
Total global custody clients	450
Account supervisors	10

Manufacturers Hanover Trust Co. was not able to provide a breakdown of subcustodial arrangements for its $400 million in global custody assets for U.S. tax-exempt clients and a breakdown between U.S. tax-exempt and taxable clients.

The three primary subcustodians in its network are Euroclear, Belgium; Dai-Ichi Kangyo Bank, Japan; and Deutsche Bank, West Germany.

Countries served directly are Switzerland, the United Kingdom and the United States. In addition, 28 countries are served by subcustodians.

Foreign exchange capabilities are offered in all 31 countries covered by the global custody network, and foreign tax withholding assistance is offered.

Global custody fees are calculated individually based on portfolio size, transactions and countries of investment.

Monthly transaction and asset and liability reports are available within four days of month's end; performance measurement reports are available within two days after the financial investment report. Transaction and asset and liability reports are available on-line.

The client contacts are John M. Gibson, vice president, and Janet Mutsch, manager.

Mellon Bank

1 Mellon Bank Center, Suite 3335,
Pittsburgh, Pa. 15258; (412)
234-5535

Total global custody assets	$1,900,000,000
U.S. tax-exempt global custody	$1,824,000,000
U.S. taxable global custody assets	$76,000,000
U.S. tax-exempt global custody clients	30

Use another global cu

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U.S. taxable global custody clients	6
Account supervisors	24

Of Mellon Bank's $1.824 billion in global custody assets for U.S. tax-exempt clients, $1.816 billion is overseen on its behalf by subcustodians and the rest constitutes subcustodial accounts it oversees for others.

The three primary subcustodians in its network are Sumitomo Trust and Banking, Tokyo; Baring Brothers & Co., London; and Bank of Montreal, Montreal. Top institutions for which it acts as subcustodian are Sun Bank, Orlando, Fla., and Putnam Trust Co., Greenwich, Conn.

There are 25 countries served by the subcustodial network, which offers foreign exchange capabilities and foreign tax withholding assistance in all locations.

Fees are calculated using base, asset and transaction fees.

Monthly transaction and asset and liability reports are available in five days; performance measurement reports, in six weeks. All are available on-line.

Darryl J. Fluhme is client contact.

Mitsubishi Global Custody — Bank of California

800 Wilshire Blvd., 12th Floor, Los
Angeles, Calif. 90017; (213)
621-1393

Total global custody assets	$8,000,000,000
U.S. tax-exempt global custody	$7,500,000,000
U.S. taxable global custody assets	$65,000,000
U.S. tax-exempt global custody clients	155
U.S. taxable global custody clients	25
Account supervisors	25

Of Mitsubishi Global Custody's $7.5 billion in global custody assets for U.S. tax-exempt clients, $3 billion is overseen on its behalf by subcustodians.

The primary subcustodians in its network are Euroclear; National Westminster, United Kingdom; and Helaba Bank, West Germany.

Countries served directly are Japan and the United States; 20 countries are served by subcustodians.

Foreign exchange capabilities are offered in all countries except Thailand.

Foreign tax withholding assistance is offered through subcustodians in Belgium, Canada, Denmark, France, Italy, Netherlands, Switzerland, the United Kingdom and West Germany.

Fees are calculated based on a combination of transaction volume and average assets under custody. Fees vary by country.

Monthly transaction asset and liability reports are available in three to 10 business days and are available online.

Debra Kay Jefferson is client contact.

ESOPs: Sept. 18.

Morgan Guaranty Trust Co. of New York

23 Wall St., New York, N.Y. 10005;
(212) 483-2323

Total global custody assets	$40,000,000,000
U.S. tax-exempt global custody	$5,600,000,000
U.S. taxable global custody	$34,400,000,000
U.S. tax-exempt global custody clients	14
U.S. taxable global custody clients	53
Account supervisors	11

Of Morgan Guaranty Trust's $5.6 billion in global custody assets for U.S. tax-exempt clients, $1.008 billion is overseen on its behalf by subcustodians and $2 billion constitutes subcustodial accounts it oversees for others.

The three primary subcustodians in its network are Euroclear, Morgan London and Morgan Tokyo.

Countries served directly are Argentina, Belgium, Brazil, France, Italy, Japan, the Netherlands, Spain, Switzerland, the United Kingdom, the United States and West Germany. In addition, 19 countries are served by subcustodians.

Foreign exchange capabilities are offered in all major and most minor currencies. Foreign tax withholding assistance also is offered.

Fees are a percentage of the market value based on country of investment, plus transaction costs.

Monthly transaction and asset/liability reports are available five days after month end; and performance measurement reports, in 10 days after month end. Portfolio information is available on-line.

Julie Ben-Susan, vice president, is client contact.

Morgan Stanley Trust Co.

1 Evertrust Plaza, Jersey City, N.J.
07302; (201) 915-3900

Total global custody assets	$7,400,000,000
U.S. tax-exempt global custody	$3,000,000,000
U.S. taxable global custody	$4,400,000,000
U.S. tax-exempt global custody clients	3
U.S. taxable global custody clients	18
Account supervisors	3

All of Morgan Stanley Trust Co.'s $3 billion in global custody assets for U.S. tax-exempt clients is overseen on its behalf by subcustodians.

The three primary subcustodians in its network are Morgan Stanley, Tokyo; Midland Bank, London; and Cedel, Luxembourg.

There are 23 countries served by the subcustodian network, which also offers foreign exchange capabilities in all countries serviced and foreign tax withholding where possible.

Fees are calculated on two types of charges: a safecustody fee and a transaction fee, which are based on the client's portfolio mix.

Monthly transaction reports are available within 24 hours and asset/liability reports in three business days.

The client contacts are Robert Kay and Tom Christofferson.

National Bank of Detroit

611 Woodward, Detroit, Mich. 48226;
(313) 225-2660

Total global custody assets	$470,000,000
U.S. tax-exempt global custody	$470,000,000
U.S. tax-exempt global custody clients	16
Account supervisors	2

All of National Bank of Detroit's $470 million in global custody assets for U.S. tax-exempt clients is overseen on its behalf by subcustodians.

The three primary subcustodians in its network are Amro, Cedel and NBD London.

There are 22 countries served by the subcustodian network, which offers both foreign exchange capabilities and foreign tax withholding assistance in all covered countries.

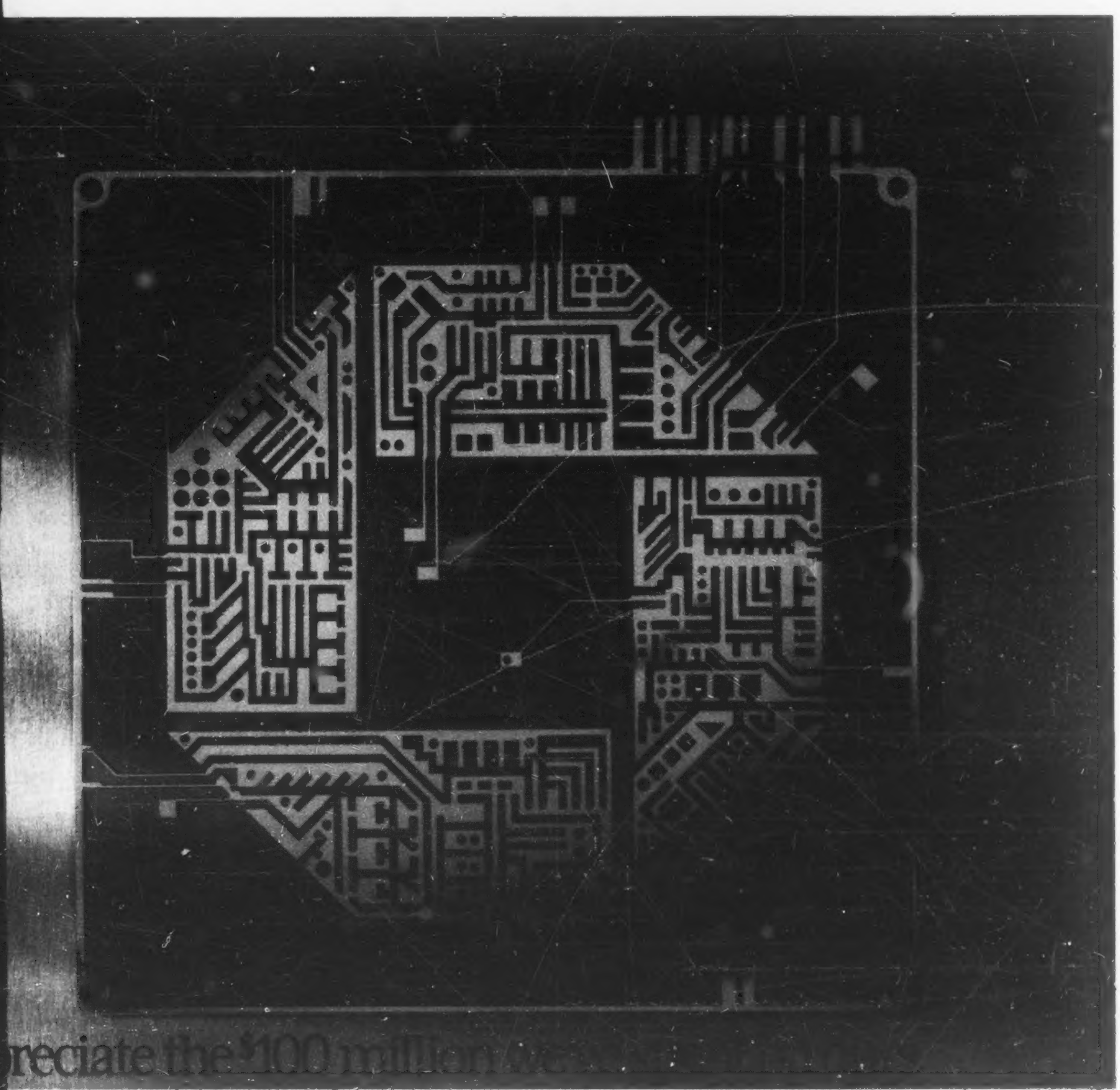
Fees are based on asset value and transaction by location of country, subject to a minimum monthly charge.

Monthly transaction and asset and liability reports are available in 10 to 12 business days; performance measurement reports, 30 calendar days.

The client contact is John R. Mittler.

NCNB Texas

P.O. Box 83100, Dallas, Texas
75283-1000; (214) 922-7696



Ever since Chase invented the global custody business, we've invested in an unrelenting self-improvement program. In the past two years alone, we've devoted $20 million to advancing our technology.

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All this helps you maximize your information, and in turn, your returns.

Before you get tied up with the wrong custodian, contact Chase in New York at (212) 730-4219; London, 01-726-5303; Tokyo, 3-287-4150; Luxembourg, 4-626-85207; or in the Channel Islands, 5-342-5561. For U.S. Pension Trust information, call (212) 730-6116.

CHASE

Total global custody assets	$500,000,000
U.S. tax-exempt global custody	$500,000,000
U.S. tax-exempt global custody clients	4
Account supervisors	5

All of NCNB Texas' $500 million in global custody assets for U.S. tax-exempt clients are overseen on its behalf by Chase Manhattan Bank, New York.

There are 33 countries served by the subcustodian, which also offers foreign exchange capabilities and foreign tax withholding assistance in all covered countries.

Global custody fees are calculated on a percentage of market value plus an account management fee.

Monthly transaction and asset/liability reports are available in five business days; and performance measurement reports, in seven to 10 business days. All are available on-line.

The client contact is Kurt N. Kinney.

Northern Trust Co.

50 S. LaSalle St., Chicago, Ill. 60675;
(312) 630-6000

Total global custody assets	$13,200,000,000
U.S. tax-exempt global custody	$9,600,000,000
U.S. taxable global custody	$361,000,000
U.S. tax-exempt global custody clients	62
U.S. taxable global custody clients	62
Account supervisors	65

All of Northern Trust's $9.6 billion in global custody assets for U.S. tax-exempt clients are overseen on its behalf by subcustodians.

The three primary subcustodians in its network are Mitsubishi Bank, Japan; Royal Bank of Scotland, United Kingdom; and Banque Scandinave en Suisse, Switzerland.

The United States is served directly. In addition, 28 countries are served by subcustodians.

Foreign exchange capabilities and foreign tax withholding assistance are offered in all countries in the subcustodial network.

Fees are calculated individually.

Monthly transaction and asset/liability reports are available in seven to 12 business days; and performance measurement reports, in 17 to 22 business days. All are available on-line.

The client contact is Jennifer Kamp Cameron, vice president.

Norwest Bank Minnesota

Sixth Street and Marquette Avenue,
Minneapolis, Minn. 55479; (612)
667-8894

Total global custody assets	$450,000,000
U.S. taxable global custody	$450,000,000
U.S. taxable global custody clients	26
Account supervisors	12

All of Norwest Bank Minnesota's $450 million in global custody assets for U.S. taxable clients is overseen on its behalf by subcustodians.

The primary subcustodian in its network is Morgan Stanley.

There are 21 countries served by the subcustodian network, which also offers foreign exchange capabilities and foreign tax withholding assistance.

Fees are based on asset value plus a transaction charge.

Monthly transaction, asset and liability and performance measurement reports are available in 10 business days. All are available on-line.

The client contact is Gale Friedrich, vice president.

Security Pacific Bank

333 S. Grand Ave., ‡1740, Los
Angeles, Calif. 90071; (213)
229-2996

Total global custody assets	$6,000,000,000
U.S. tax-exempt global custody	$1,500,000,000
U.S. taxable global custody	$4,500,000,000
U.S. tax-exempt global custody clients	32
U.S. taxable global custody clients	93
Account supervisors	10

Of Security Pacific Bank's $1.5 billion in global custody assets for U.S. tax-exempt clients, $1 billion is overseen on its behalf by subcustodians. Two primary subcustodians are Euroclear and CEDEL.

Countries served directly are Chile, Hong Kong, Japan, Malaysia, Singapore, Switzerland, Thailand and the United Kingdom. In addition, 19 countries are served by subcustodians.

Foreign exchange capabilities are offered in all major financial markets.

Foreign tax withholding assistance is offered in all applicable countries. Tax reclamation services are offered in countries where dual tax treaties exist.

Fees are calculated on clearance and custody fees, incorporating subcustodial charges and administration overhead.

Monthly transaction and asset/liability reports are available in five business days, and will be available on-line in the first quarter of 1990.

The client contacts are Joseph Kolb and Cathy Holsey, senior vice presidents.

State Street Bank and Trust

P.O. Box 1992, Boston, Mass. 02101;
(617) 847-2511

Total global custody assets	$50,809,000,000
Tax-exempt global custody	$24,009,000,000
U.S. taxable global custody	$8,400,000,000
U.S. tax-exempt global custody clients	86
U.S. taxable global custody clients	55
Account supervisors	18

Of State Street Bank's global custody assets for U.S. tax-exempt clients, $22.756 billion is overseen on its behalf by subcustodians and $4.672 billion constitutes subcustodial accounts it oversees for others.

The three primary subcustodians in its network are Sumitomo Trust and Banking Co., Tokyo; State Street London Ltd., London; and Euroclear, Brussels.

The United States is served directly. In addition, 25 countries are served by subcustodians.

Foreign exchange capabilities are offered in over 40 currencies, including countries serviced by subcustodians.

Foreign tax withholding assistance is offered worldwide for countries where a non-resident tax is withheld on dividend and investment payments.

Fees are unbundled, based on costs of investing in various foreign markets.

Monthly transaction and asset/liability reports are available in five to 10 days; performance measurement reports, in eight to 13 days. All holdings, transactions and income receivable reports are available on-line.

Frank Antin, senior vice president-master trust marketing and client services, is client contact.

Trust Co. Bank

25 Park Place, Atlanta, Ga. 30303;
(404) 581-1566

Total global custody assets	$3,790,000,000
U.S. tax-exempt global custody	$2,000,000
U.S. taxable global custody	$3,788,000,000
U.S. tax-exempt global custody clients	1
U.S. taxable global custody clients	1
Account supervisors	1

All of Trust Co. Bank's $2.1 million in global custody assets for U.S. tax-exempt clients is overseen on its behalf by State Street Bank & Trust Co.'s subcustodian network.

There are 23 countries served by the subcustodian network. Foreign exchange capabilities and foreign tax withholding assistance are offered in all covered countries.

Fees are based on net asset value.

Monthly transaction, asset and liability and performance measurement reports are available within an average of seven business days. Transaction and asset and liability reports are available on-line.

The client contact is Henry W. Lautz, group vice president.

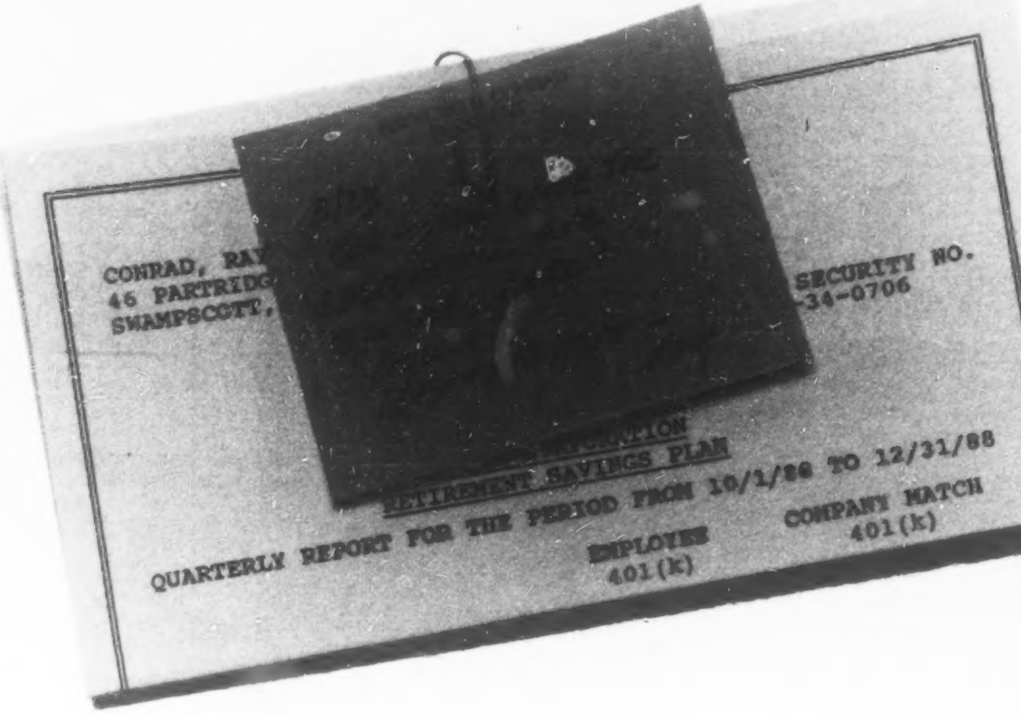
United States Trust Co.

45 Wall St., New York, N.Y. 10005;
(212) 806-4500

Total global custody assets	$2,694,000,000
U.S. tax-exempt global custody	$242,000,000
U.S. taxable global custody	$2,452,000,000
U.S. tax-exempt global custody clients	43
U.S. taxable global custody clients	186
Account supervisors	4

All of United States Trust Co.'s $242 million in global custody assets for U.S. tax-exempt clients is overseen on its behalf by subcustodians.

The three primary subcustodians in its network are Mitsubishi Bank Ltd., Japan; National Westminster Bank,



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82 Devonshire Street, Boston, MA 02109

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United Kingdom; and Royal Bank of Canada, Canada.

There are 19 countries served by the subcustodian network. Foreign exchange capabilities and foreign tax withholding assistance are offered in all countries.

Fees are based on assets and transactions and depend on the countries involved.

Monthly transaction reports are available in two to three business days; asset and liability reports, five to seven business days; and performance measurement reports, six to eight business days. All are available on-line.

The client contact is Joseph DelliCarpini, vice president.

Wilmington Trust Co.

Rodney Square North, Wilmington,
Del. 19890; (302) 651-1000

Total global custody assets	$1,100,000,000
U.S. tax-exempt global custody	$1,000,000,000
U.S. taxable global custody	$100,000,000
U.S. tax-exempt global custody clients	44
U.S. taxable global custody clients	12
Account supervisors	1

All of Wilmington Trust Co.'s $1 billion in global custody assets for U.S. tax-exempt clients is overseen on its behalf by subcustodians. Its primary subcustodian is Chase Manhattan Bank.

There are 30 countries served by the subcustodian network. Foreign tax withholding assistance is offered.

Fees are based on asset value and transactions.

Monthly transaction reports are available in one day; asset and liability reports, two days; and performance measurement reports, 12 days. Monthly transaction and asset and liability reports are available on-line.

The client contact is Barbara A. Uberti.

$1.8 trillion

Continued from page 25

master trustees," said Scott Morgan, senior vice president in charge of U.S. services at Northern Trust Co., Chicago.

Service providers and observers foresee further consolidation and concentration in the master trustee/custodian business: In the past year, for example, mergers and acquisitions helped reorder *P&I Age*'s rankings.

Bank of New York, ranked eighth in total assets last year, moved up to fifth in 1989 with the acquisition of Irving Trust Co., New York, ranked ninth last year. Centerre Trust Co., St. Louis, ranked 25th last year, and Boatmen's National Bank of St. Louis, not ranked last year, merged to form Boatmen's Trust Co., now ranked 21st.

In the past few years, several banks, such as First National Bank of Chicago and Wells Fargo Bank, San Francisco, have left the directed master trust business. Mr. Martin said he wouldn't be surprised to see more banks do so, and for business to become even more concentrated among the top few banks.

Still, concentration among the top banks in the universe didn't really increase in the past year. The top 10 in the rankings still retained roughly half the assets in the universe, and the top five stayed at about 77%.

State Street Bank & Trust Co., Boston, remained in first place, with a 25.4% increase in U.S. master trust and custody assets, and a rise in market share, to 13.2% from 12.5%.

Bankers Trust remained second, while Northern Trust rose to third from fourth, changing places with Chase Manhattan Bank, New York.

Among the top five Canadian master trust banks, total assets decreased 10.8% to $30.959

Booming

Continued from page 25

pension funds are the major source of growth, but they have provided services for institutions such as mutual funds, insurance companies and overseas entities for years.

"Mutual funds kind of led the way," said Phil Stambaugh, senior vice president of State Street Bank & Trust Co., Boston. State Street has the largest amount of U.S. tax-exempt institutional assets under global custody, with $24.009 billion, a 34.5% increase from last year; for total worldwide global custody assets, it ranked third with about $50.809 billion, after Chase Manhattan, with $68 billion, and Citibank, New York, with $52 billion.

In the area of U.S. tax-exempt institutional global custody, Northern Trust's assets surged 123% to $9.6 billion, catapulting the trust company three places in the rankings to third. Chase, which remained in second, saw its assets increase 29% to $20.7 billion.

The fourth and fifth spots were taken by two global custodians that weren't ranked last year, Mitsubishi Global Custody — Bank of California, Los Angeles, and Morgan Guaranty Trust Co., New York. Bankers Trust fell to sixth from fourth, while Boston Safe stayed at seventh and Citibank remained eighth, even though its assets doubled to $5 billion.

The top 10 global custodians' share of the U.S. tax-exempt market stayed at about 87% from 1988 to 1989, while the top five's share remained about two-thirds.

U.S. banks can provide global custody services either through their own branches in other countries or, if they don't have a lot of branches, through a network of subcustodians overseas.

Citibank is one that operates mostly through its own branches; of the 36 banks its uses in global custody operations, 23 are affiliated with Citibank or its parent, Citicorp, said Kevin Smith, vice president in charge of custody administration. Working with affiliates ensures service continuity, clear communications and ease of monitoring costs, he said.

But officials of banks operating with non-affiliated subcustodians said it's possible to ensure good service this way, too. Boston Safe, with just one branch overseas, puts subcustodians through an extensive evaluation process, Mr. Carty said. "They have to commit to us to meet our standards," he said. If data processing and securities processing are just a sideline to these banks, he said, Boston Safe isn't interested in them.

Chase Manhattan branches handle its global custody business in 10 of the 35 countries the bank's network covers, Ms. Schoon said. Within the next three years, the bank would like to move as many of the other 25 as possible to Chase Manhattan affiliates, as they get the capabilities set up, she said.

Securities lending, which has been an aspect of domestic master trust business for some time, is extending to the global area.

"It is a very, very important product," Ms. Schoon said. "We find that our clients require it. When they hire a global custodian, they assume global securities lending is available."

There has to be a large and liquid market for the securities to be lent, however, so Japanese and British securities are the ones most frequently used in global lending to date. ■

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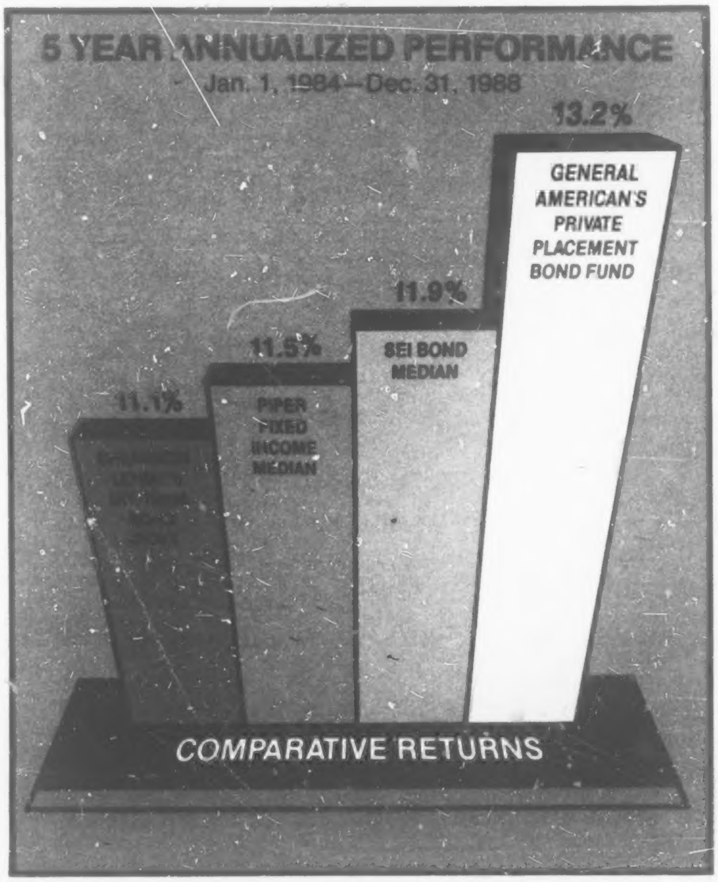

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PENSIONS &

September 18, 1989

Investment Age®

The newspaper of corporate and institutional investing

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Oil spill rallies funds

3 seek support for environmental code

By Marcia Parker

Three activist public pension funds will be soliciting support for their newest initiative: a set of principles to guide corporate conduct on the environment.

Trustees of the $35.5 billion New York City Retirement Systems, the $47 billion California Public Employees' Retirement System and the $24.7 billion California Teachers' Retirement System endorsed the 10 Valdez Principles drafted by the Coalition for Environmentally Responsible Economies.

The guidelines are named after the Exxon Valdez, the tanker that spilled millions of gallons of oil off the Alaska coast earlier this year. They are patterned after the Statement of Principles, which guide corporate conduct in South Africa, and the MacBride Principles, which govern corporate behavior in Northern Ireland.

Many companies adopted the South Africa and Northern Ireland codes of conduct on their own. Many institutional investors and individuals chose to invest only in companies that adhered to the Statement of Principles and MacBride Principles. The hope now is that companies and investors will do the same with the Valdez Principles and that the code will serve as a worldwide model for responsible corporate behavior on environmental matters.

CERES is a new consortium of bankers, brokers, analysts and institutional investors. Among its members are the New York State comptroller's office, which oversees the $37.9 billion New York State & Local Retirement Systems; Interfaith Center on Corporate Responsibility, the New York-based church group; Franklin Research & Development Corp., a Boston money manager that specializes in socially responsible investing; the Sierra Club; and the National Audubon Society.

CERES is a project of the Social Investment Forum, a national trade association of 325 fund managers and investment advisers dedicated to socially responsible investing.

"The Valdez Principles offer an unprecedented opportunity for corporate America to actively demonstrate to investors and to consumers their commitment to a clean and healthy environment," Gray Davis, California's comptroller and trustee of the state's public employees' and teachers' pension funds, said at a New York press conference.

In an interview with *Pensions & Investment Age*, Mr. Davis said he would propose the conduct code to California's myriad retirement systems and seek the support of the state Legislature and the Council of Institutional Investors when it meets in November.

"I believe California and other state pension funds should adopt these standards in their corporate governance-voting policies," he said.

During the past few years, institutional investors, led by a few activist public pension funds, have begun to flex their muscles through the proxy ballot and other channels on such issues as takeovers, proxy voting procedures and investing in South Africa and Northern Ireland. The push to

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AP Photo

Oil spill damage from an Exxon tanker inspired the creation of the Valdez Principles, an environmental code of conduct for companies endorsed by three public pension funds.

McDonald's sets ESOP financing

Forgoes first use of public debt

By Barry B. Burr

OAK BROOK, Ill. — McDonald's Corp. finally set up its ESOP without the public debt offering unveiled nearly six months ago and without investors knowing whether the ESOP will be grandfathered if Congress eliminates many of the tax benefits for the plans.

The $200 million employee stock ownership plan was financed by a negotiated placement with fewer than 10 institutional investors. The deal brought to a close efforts by McDonald's investment banker, Salomon Brothers Inc., to underwrite the first publicly traded debt offering to finance a leveraged ESOP. McDonald's ESOP will control the equivalent of less than 2% of the company's outstanding common stock.

Other stories on ESOP developments — page 35

"Our original idea was to do a standard public deal, selling in small denominations to a broad segment of the market-

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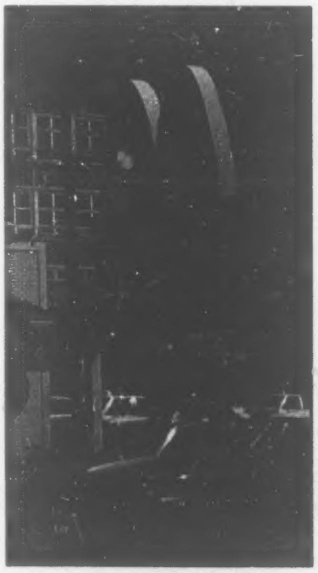

Photo by Michael A. Marcotte

McDonald's Corp. opted for private financing of its $200 million ESOP.

Program on hold

Stock lending probe delays start

By Leonard J. Hollie

At least one pension fund is delaying a move into securities lending because of a federal probe of major brokerage firms' stock lending programs.

"If the investigation had not occurred, we probably would have been participating in a stock lending program already," said T. Britton Harris, assistant treasurer of Combustion Engineering Inc., Stamford, Conn., which has $650 million in pension fund assets.

Now, he said, "we are waiting to see the results of the investigation." The fund has set a target date of Oct. 1 and intends to conduct a securities lending program through its master trustee, Manufacturers Hanover Trust Co., New York.

For other funds, however, the probe is causing little turmoil. Most comments echoed that of Barbara Fiddler, director of securities lending at the $2 billion endowment of Yale University, New Haven, Conn., who said that while the investigation will make her fund more cautious, "we don't see a need for panic now."

Yale, which has been a securities lending participant for almost 18 years, has 10% of its portfolio in securities lending.

Federal prosecutors are investigating potential theft, money laundering and kickbacks in the stock loan de-

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LATE NEWS

World Bank to unveil new bond

WASHINGTON — Hoping to attract a new group of institutional investors who buy U.S. agency debt, the World Bank is expected to unveil its innovative $1.5 billion, intermediate-term global bond offering later this month.

The bonds, part of its U.S. dollar borrowing program, are expected to be issued simultaneously in the U.S. domestic and Euromarkets with the help of 14 managers worldwide. The World Bank's bonds are intended to be traded around the clock and offer investors liquidity superior to outstanding World Bank Yankee and Eurodollar issues. The bonds are structured to resemble U.S. government-sponsored agency debt.

The World Bank borrows funds in the international capital markets and lends them to its developing member countries for specific economic reform programs.

PBGC waives payment penalty

WASHINGTON — The Pension Benefit Guaranty Corp. will waive the late payment penalty charge for 1989 premium filings that were due Sept. 15. To avoid a penalty, however, the filing must be postmarked or hand-delivered no later than Oct. 2.

The postponement stems from delays in delivering the premium forms to administrators.

Concerns over 144A continue

NEW YORK — The Securities and Exchange Commission's proposed Rule 144A liberalizing secondary market trading of private placement securities among qualified institutional investors won't be enough to lure household-name foreign issuers into the market, foreign bankers said at a conference last week.

Fernando Vera, director of Britain's Barclays Bank, told participants in the Institute for International Research conference Rule 144A "would not be a magic wand." He said pricing in the private market remains the biggest obstacle because foreign issuers still believe pricing is better in the public market. They also are wary of the SEC's disclosure requirements and running afoul of disclosure rules in their own countries.

Some participants also took issue with the rule's requirement that qualified institutions must have at least $100 million invested in securities. Linda Quinn, director of the SEC's division of corporation finance, acknowledged it was a subjective figure and said it might change.

Other bankers, traders and institutional investors expressed concern that private debt securities were favored over equity securities under the rule. Ms. Quinn said Rule 144A would be phased in over time and equity securities could be handled later.

The comment period on the proposed rule ended last week. The SEC is studying the responses and will incorporate them into the final rule, which Ms. Quinn hopes will be adopted by year end.

Funds change manager lineups

• CHEYENNE, Wyo. — The $1.3 billion Wyoming Retirement System has selected two equity managers and two fixed-income managers in an effort to spread its investments.

Hired to manage active equity accounts were Independence Investment Associates Inc., Boston, and Wyoming National Bank, Cheyenne, according to Jeff Gardner, the system's deputy director. The active fixed-income managers hired were Wolf, Webb, Burk & Campbell Inc., Philadelphia, and Western Asset Management Co., Pasadena, Calif.

While the amounts allocated to the managers had not been finalized, Mr. Gardner said it is likely Independence would receive about $50 million; Wyoming National about $20 million, and Wolf, Webb, Burk & Campbell and Western Asset each would receive between $80 million and $100 million. He said the allocation comes from a trimming of an $850 million balanced portfolio with Alliance Capital Management L.P., New York.

• CHARLESTON, W. Va. — Blue Cross/Blue Shield of West Virginia has hired IDS Trust to manage approximately $4.2 million of its 401(k) plan assets.

Officiais at Blue Cross confirmed the hiring of IDS, but

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Vol. 17, No. 20 — Pensions & Investment Age (ISSN 0273-5466) is published biweekly with a special edition in May, at 740 Rush St., Chicago, Ill. 60611. Second class postage paid at Chicago, Ill. and at additional mailing offices. Postmaster: Send address changes to Pensions & Investment Age, Circulation Dept. 965 E. Jefferson, Detroit, Mich. 48207.

Directory deadline has passed

The deadline for entries in *Pensions & Investment Age*'s 1989 directory of investment management consulting firms has passed. If you have any questions about the profiles scheduled for the Nov. 13 issue, or if you would like to be placed on the mailing list for next year's directory, please contact Christine Philip, directory coordinator, at (312) 649-5217.

L.A. County first investor to join S&L partnership

By Steve Hemmerick

LOS ANGELES — Trustees for the $9 billion Los Angeles County Employees' Retirement Association, reasonably convinced they can make money in turning around troubled savings and loan institutions, have agreed to commit a minimum $150 million to invest in the $1.2 trillion savings and loan industry.

The trustees stopped short of actually funding the investment, however, noting their commitment is one of the first potential pension investments in a troubled industry that pension funds have known little about until now. They said they are trying to move with caution.

The commitment is to Wespar Financial Inc., a subsidiary of WSGP International Inc., a Beverly Hills investment group headed by former Secretary of the Treasury William Simon. Assets will be invested in a limited partnership that prohibits the use of debt in its acquisitions; the first investment is not expected for 18 to 24 months.

Wespar officials reportedly said they need a minimum of $400 million in contributions — although they would prefer $1 billion — and are seeking contributions from other pension funds, including the $54.5 billion California Public Employees' Retirement System, Sacramento.

Wespar is focusing on pension funds because they are among the few investors with enough capital available for investment.

Trustees of the Los Angeles County fund also considered but delayed making an investment with Blackstone Financial Management Inc., a New York investment bank also investing in savings and loans, primarily in the East.

In deciding whether to move forward on the issue, the trustees expressed confidence in Mr. Simon's group and said it was one of the key reasons they would invest in savings and loans at all.

Trustees expect to see a compound annual return of about 18% to 25% during the eight- to 12-year life of the investment. Those expectations were supported by the fund's consultant on the savings and loan industry — Pension Consulting Alliance, Glendale, Calif. — and its subcontractor, Kenneth Leventhal & Co., Los Angeles, a consulting and accounting firm considered an expert in the savings and loan field.

The consultants told the trustees one reason for the high return potential is that stiffer federal regulations will force savings and loans to consolidate, which would reduce competition and presumably result in greater operating profits.

During the next several years, analysts estimate as many as 2,000 thrift institutions will sell out or fail.

Because of expected federal assistance, Los Angeles trustees believe at worst they will receive only a "moderate" return on their savings and loan investment, which would considerably narrow the investment risk.

Before agreeing to the commitment, however, trustees sought, and received, changes in four areas of the agreement with Wespar. They were:

• The Los Angeles County fund, as a limited partner, would receive a 12% preferential return before the Simon group, as general partner, shared in the return. After that, the agreement roughly will work out to 80% for the limited partners and 20% for the general partners.

The original agreement had limited partners receiving 70%

Continued on page 61

The City of Baltimore's $1.5 billion retirement systems must divest their equity holdings in South Africa-related companies after losing a legal challenge of a city ordinance.

Divestment set

Baltimore funds lose court appeal

By Trudy Ring

BALTIMORE — The Maryland Court of Appeals has upheld a Baltimore ordinance requiring the city's pension funds to divest themselves of stocks in companies operating in South Africa.

The Baltimore Employees' Retirement Systems filed suit to challenge the ordinance almost three years ago. The Baltimore Circuit Court upheld the ordinance (*Pensions & Investment Age*, July 27, 1987).

Ernest J. Glinka, administrator of the $1.5 billion retirement systems, said trustees will discuss the ruling at their Sept. 21 meeting. He declined to say if a further appeal is likely.

"The basis on which we challenged the ordinance was to see if it was legal," he added. "We now have the highest court in Maryland saying it is legal."

In the lawsuit, pension fund officials argued the ordinance conflicted with the interstate and foreign commerce clauses of the U.S. Constitution and the foreign affairs power of the federal government; was pre-empted by federal law regarding South Africa; and impaired contracts existing between the systems and their participants and beneficiaries.

The appeals court held the city's handling of pension fund investments traditionally is something that can be regulated locally and the ordinance does not conflict with federal law. It also ruled condemnation of apartheid is consistent with national policy and the ordinance does not interfere with the federal government's foreign policy powers.

The cost of the measure, the court ruled, is so small it does not impair the contract between the retirement funds and their participants and beneficiaries. Social investment considerations do not violate the standard of

Continued on page 60

Agencies discount FASB rule

By Fred Williams

The three major credit rating agencies will not adjust ratings of companies based on changes in accounting for liabilities for retiree medical benefits.

Following an announcement by Standard & Poor's Corp., New York, that it would play down the effect of a proposed accounting rule requiring such liabilities to appear on corporate balance sheets, executives from Moody's Investors Service, New York, and Duff & Phelps Inc., Chicago, issued similar statements.

The Financial Accounting Standards Board's rule would replace pay-as-you-go accounting for retiree medical liabilities with accrual accounting in 1992.

The response to the rating agencies' decisions was mixed. Some employee benefit sources said the rating agencies might be trying to soften the blow for their clients, who pay for rating agency services. Others believe the decision to continue to concentrate on actual cash expenditures for retiree medical costs and place less emphasis on accrued liabilities displays a lack of understanding of the economics of the issues involved.

Executives at the three firms all claim to be aware of the burdens companies face for retiree medical costs and of the potentially huge liabilities that will be shown on corporate balance sheets if the FASB proposal becomes effective. Each, however, points out the difficulty in quantifying the actual liability for a company given the uncertainties of medical cost inflation, government regulations and the possibility that many plans might be amended.

At each rating agency, officials said a change in accounting proc-

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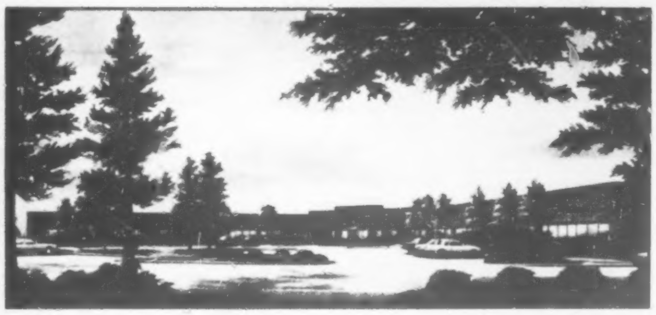
PROPERTY

UPDATE



The Multi-Employer Property Trust has purchased Phase I of the Oakland Pointe Office Center.

MEPT acquires office

WASHINGTON — The Multi-Employer Property Trust, with slightly more than $600 million in assets, bought Phase I of the Oakland Pointe Office Center and agreed to pre-purchase Phase II of the project for a total of about $7.5 million.

The project is being built on a 200-acre site located on the Western outskirts of Pontiac, Mich. Phase I, a single-story, 36,460-square-foot building, is 53% preleased; construction on Phase II began in June.

The seller was Trammell Crow Co., developer of Oakland Pointe Office Center. Pat O'Brien is the Trammell Crow partner in charge of the project.

This is the eighth property in Oakland County for MEPT, a pooled equity real estate fund with more than 100 participants.

The fund was advised by the Washington office of Kennedy Associates Real Estate Counsel Inc.

REIT index posts gain

WASHINGTON — The NAREIT Share Price Index rose 2.08 points in July, to 100.31, the fifth consecutive month the index has shown an increase, according to the National Association of Real Estate Investment Trusts Inc., Washington.

The Equity REIT Index rose 9.07 points in July to 242.01; the Mortgage REIT Index rose 0.24 points to 32.21; and the Hybrid REIT Index fell 2.09 points to 97.3.

For the seven months ended July 31, the total return on REIT investments averaged 6.18%. During the same period, equity REITs posted an average total return of 12.2%; mortgage REITs, −3.69%; and hybrid REITs, 4.76%.

For the one-year period ended July 31, the total return on REIT shares averaged 4.09%; equity REITs, 10.4%; mortgage REITs, −3.66%; and hybrid REITs, −5.84%.

As of July 31, industry assets totaled $40.9 billion for 168 tax-qualified real estate trusts. Shareholders' equity totaled $13.4 billion; mortgage investments, $25.6 billion; and equity investments, $12.3 billion.

L.A. landmark is sold

LOS ANGELES — New York developer Harry Macklowe has purchased 818 W. Seventh St. in Los Angeles and three adjacent

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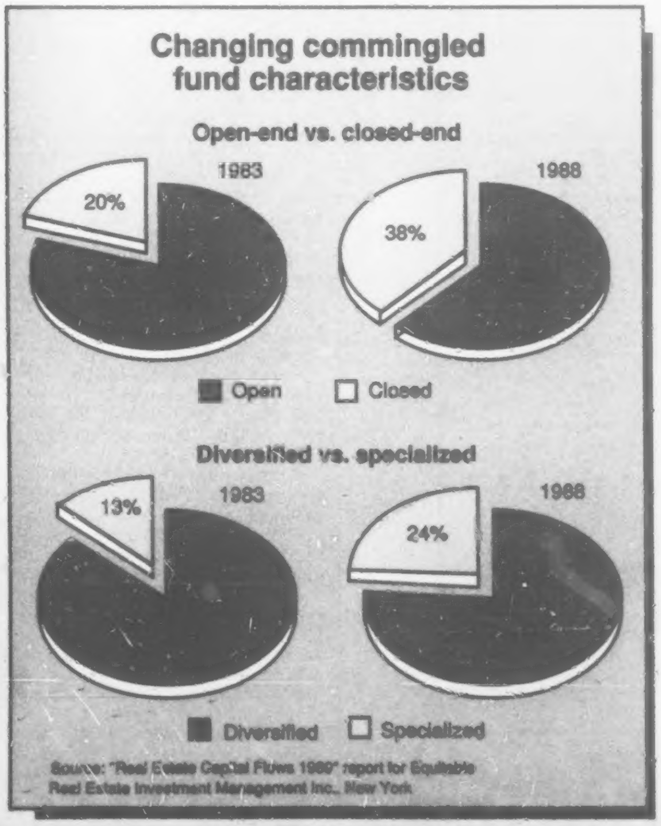
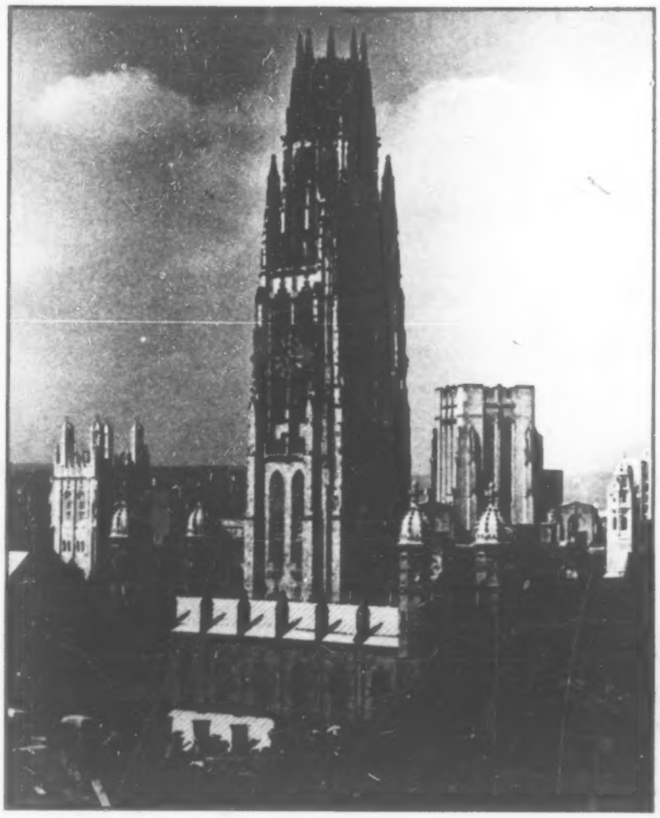


Source: "Real Estate Capital Flows 1989" report for Equitable Real Estate Investment Management Inc., New York

Realty fund a hit

Schools put $363 million with adviser

By Steve Hemmerick



Yale University's more than $2 billion endowment was among the 163 college funds that invested in the Endowment Realty Investors pooled fund.

FAIRFIELD, Conn. — Some 163 educational institutions put $363 million in a new fund that invests with other real estate managers, indicating a strong desire among some institutional investors to find ways to spread smaller contributions among alternate styles of some of the most highly regarded investment firms.

The $363 million was placed with Endowment Realty Investors, a Fairfield, Conn., real estate investment trust. Investors more typically place assets directly with individual real estate advisers.

Endowment Realty Investors works like a manager of managers, picking and monitoring a mix of separate account investment styles for endowments.

The response to the first fund, which is closed to additional contributions, has been so strong that a second is being considered for 1990, said Michael [illegible]uido, a vice president with Endowment Realty Advisors Inc., which is the Fairfield, Conn., manager of the fund.

By using this approach, the educational endowments gain greater access to a mix of real estate investment styles than if they invested on their own, avoiding the problem of bad performance if one style fails or suffers from a temporary slump. In addition, because fees were negotiated with the individual firms, the endowments won't be paying more than if they had hired the managers separately.

Though investments of this nature common in venture capital, they are rare in institutional real estate.

The most well known pioneer is Frank Russell Trust Co.'s Real Estate Equity Fund, begun in 1984, which invests its $388 million in assets with seven real estate advisers. The trust company is a subsidiary of Frank Russell Co., a consulting firm in Tacoma, Wash.

Another Russell subsidiary, Frank Russell Investment Co., in July launched the Real Estate Securities Fund, which will invest in a mix of securities of various real estate type companies. It has about five investors and $2 million in assets, but marketing has just begun, according to John Koza, senior vice president and managing director of U.S. real estate for the Frank Russell Co.

Like the Russell fund, the Endowment Realty Investors fund was launched with the help of a parent-like organization, in this case The Common Fund, an investment adviser to many of the nation's colleges and universities.

The manager-of-managers approach is ideal for smaller investors, but appeals to others, too.

Continued on page 16

Looking to the '90s

Demographics indicate office demand to grow

NEW YORK — Shifting demographics — including the aging of the population and the consequent slowdown in work force growth, along with a slowdown in the growth of women in the work force — will most significantly alter the U.S. real estate climate in the 1990s, a new report concludes.

Such shifts will "intensify demand for quality office space in key metropolitan areas" as employers compete for workers in part by offering workplace amenities, said Christopher D. Budden, president of The Yarmouth Group Inc., a New York real estate investment adviser, which published the report. Yarmouth has substantial office holdings.

Other factors the report said will shape the real estate environment of the next decade include the continued restructuring of corporate America (which will change the location and space requirements of companies) and the growing regulatory control over urban planning (which will forestall or impede development and/or will impose development fees as a positive disincentive).

"Compared to the change in the 1980s, which was stimulated in large part by legislative action and reaction, we foresee more fundamental and, consequently, long-term change in the real estate market of the 1990s," Mr. Budden said in an essay contained in the report.

As for investing, Mr. Budden predicts U.S. pension funds, lured by the need for stability and inflation hedges, will boost their real estate allocations to 9% or 10% of assets within 10 years, from what he said is 3% currently.

He said foreign institutional investors (especially Asians, Europeans, Scandinavians and Australians) will expand their U.S. real

Continued on page 14

Yarmouth's Christopher Budden expects the demand for quality office properties to heat up in the 1990s.

Survey notes ESOPs' effect

By Joel Chernoff

OAKLAND, Calif. — Contrary to belief in Congress, nearly half of the publicly held companies that recently created employee stock ownership plans increased benefits paid to employees.

In a forthcoming study of ESOPs created by public companies from January 1988 through June 1989, the National Center for Employee Ownership found 20 of 41 companies improved benefits for employees.

In addition, Corey Rosen, the center's executive director, said the study strongly suggests that 35% to 45% of the ESOPs were created primarily as takeover defenses.

Publicly held companies have jumped on the ESOP bandwagon in the wake of a February decision by the Delaware Chancery Court upholding Polaroid Corp.'s creation of an ESOP that held 14% of the company's stock. Delaware

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Patterns of use of leveraged ESOPs in public firms

Company	% owned by ESOP	Takeover target?	Effect on other plans*
Acme Steel	NA	Y	P=
Advest	NA	Y	A
American Bankers	15	N	A
Applied Power	34	Y	R=
Aristech Chemical	15	Y	R=
Armstrong World	12	N	R=
Atlanta Gas & Light	NA	N	N+
Brunswick	7	Y	A+
Cabot Corp.	6	Y	S=
Capitol Federal	9	N	R=
CBI Industries	27	N	S
Charter-Crellin	20	Y	N
Citizen & Southern	5	Y	R=
Colgate-Palmolive	11	N	E
Continental Illinois	NA	Y	NA
Consolidated Freightways	19	N	A+
Courier	NA	N	NA
Cyprus Minerals	5	N	R=
DBA Systems	19	N	A=
Delta Airlines	14	Y	R
Entertainment Publications	5	N	R=
Figgie Int'l	NA	N	R=
First Federal	NA	N	R
FMC	36	Y	R
Great Lakes Bancorp	30	N	NA
Home Depot	2	N	NA
Hartmarx	15	Y	R=
J.C. Nichols	30	N	N
J.C. Penney	25	N	R=
Jeffries Group	NA	N	NA
Kansas City Southern	13	Y	A+
Key Centurion Banchares	NA	N	R+
KMS	30	N	NA
Kraft	NA	Y	S
Kroger	33	Y	A+
Lockheed	17	Y	R=
McDonald's	72	Y	A+
McKesson	18	N	A+
Merrill Lynch	25	N	R=
Mid-State Federal	NA	N	NA
National Standard	23	N	R=
Nibco	NA	N	NA
Nordson	NA	N	N+
Nortek	10	N	A+
Northern Trust	9	N	A+
Nu Horizons	NA	N	NA
Odetics	5	N	A+
Omnicare	NA	N	A+
OMI	15	Y	N
Oryx	13	Y	R=
Polaroid	22	Y	N
PPG Industries	14	Y	R=
Procter & Gamble	20	Y	E+
Quaker Oats	10	Y	A+
Quantum Chemical	NA	Y	A+
Radiation Systems	10	Y	NA
Ralston Purina	NA	Y	R=
Reedel Industries	NA	N	NA
Scan Optics	5	N	A+
Standard Motor Products	15	N	NA
St. Paul Cos.	5	Y	A–
Thermo Electron	NA	N	A+
Tribune Co.	15	Y	R
Tyler Corp.	NA	N	NA
United Technologies	6	N	R=
Universal Foods	10	Y	NA
Whitman Corp.	15	Y	A+
Xerox	11	Y	R
Yellow Freight	6	N	A+

* A - addition to existing plans; E - Expanding an existing ESOP; N - new plan; P - partial replacement of existing plan; R - replacement of existing benefit plans; S - plan that restructured existing benefit plans. The +, – or = indicate if the plan added to, subtracted from, or was the same as existing contribution.

Benefits of leverage increase its usage

By Curtis Vosti

The traditional non-leveraged employee stock ownership plan may be going the way of the dinosaur.

With tax incentives spurring on leveraged ESOPs and the innovation of "immediate allocation" ESOPs that combine the benefits of both leveraged and unleveraged, original-formula ESOPs are less the norm.

"Three or four years ago, two-thirds of the ESOPS were non-leveraged," said David Binns, executive director of the ESOP Association, New York. "But I'd say that is now flipped. The incidence of leveraging is clearly on the rise."

Within the last year, leveraged ESOPs have blossomed so fast — even faster as Congress rushes to take away some of the blush — that their numbers are about even with non-leveraged ESOPs. However, "in terms of value, they are not even close," with the value of leveraged ESOPs much greater, said Corey Rosen, executive director of the National Center for Employee Ownership, Oakland, Calif.

According to Howard Freiman, vice president at Fidelity Management Trust Co., Boston, more than $8 billion worth of leveraged ESOPs have been done in 1989. *Pensions & Investment Age* has subsequently reported that many companies had rushed to establish or expand their own leveraged ESOPs before a deadline proposed in pending legislation that would limit the tax advantages of leveraged ESOPs.

Those familiar with the industry say tax advantages, employee benefit formulations and takeover defenses all have made leveraged and immediate allocation plans more attractive, and, therefore, have caused non-leveraged ESOPs to decline in popularity.

Mr. Binns attributes the rush into leveraged ESOPs to an "understanding of what can be done with leveraged buy-outs." In 1984, major tax breaks were passed that made leveraged ESOPs more enticing, and, two years later, legislation eliminated a tax credit that provided some of the attraction of non-leveraged ESOPs.

With the legal changes companies can, for now, deduct both the principal and interest payments on a loan used to set up the leveraged ESOP, and receive the loan at below-market rates because the lender also receives tax breaks for lending to the ESOP.

These tax advantages were one reason the Skokie, Ill.-based Brunswick Corp. decided to switch to a leveraged ESOP in the spring of 1989.

"The advantages that accrue from a leveraged ESOP are significant enough to make obsolete the old way of doing it (non-leveraged)," said Ross Stemer, director of investor relations.

Brunswick's original non-leveraged ESOP fell under laws designed to get a tax credit of up to 0.5% of payroll to buy stock for employees. The company not only did that, but in 1984 it also matched that amount out of earn-

Continued on page 37

Missed deadline could be costly

By Joel Chernoff

WASHINGTON — Olin Corp. may be caught in the web of pending legislation affecting employee stock ownership plans, a victim of not foreseeing that Congress could change the rules in midstream.

While the Stamford, Conn., chemical company had announced its plans to form an ESOP in late May, it did not have permanent financing in place until mid-June — after a cutoff date for keeping important ESOP-related tax breaks was proposed in Congress.

An early effective date could mean higher financing costs for Olin, although officials declined to reveal how much it would cost them.

Legislation proposed by Sen. Lloyd Bentsen, D-Texas, chairman of the powerful Senate Finance Committee, would eliminate the 50% exclusion of interest from taxation for loans made by a qualified lender to an ESOP.

The restrictions would affect ESOP loans created after June 6 and only where the ESOP held less than 30% of an employer's stock. Companies would have to have a written, binding commitment for loans created prior to that date to retain the partial-interest exclusion.

The fate of the bill, as well as legislation being considered by the House Ways and Means Committee, will be decided in coming weeks as Congress tries to nail down a budget-reconciliation package.

Although Olin had announced its intention of selling $100 million in convertible preferred stock to an ESOP May 25, nearly two weeks before the Senate bill's effective date, the company might lose important tax benefits because its financing was not locked up until mid-June. Only bridge financing had been arranged by June 6.

It's "questionable" under the Bentsen bill whether "the bridge loan constitutes a condition for financing," said George Nuslock, vice president-public affairs. "That's a very risky thing to depend upon."

Mr. Nuslock said Olin's ESOP did not fit any of the patterns of abuse identified by Ways and Means Committee Chairman Dan Rostenkowski, when the Illinois Democrat took the first step in proposing restrictive legislation June 6.

(The original June 6 effective date in the House bill, however, was switched to July 10 in committee maneuvering, creating one of several key distinctions between the House and Senate bills.)

Unlike some companies that had raced to put ESOPs in place as rumors spread that Congress might move to restrict tax benefits for the popular plans, "ours had been under way for eight months," Mr. Nuslock said.

Contrary to Mr. Rostenkowski's concern that many companies were taking advantage of tax-subsidized ESOP loans while not sharing any gains with employees, Mr. Nuslock said Olin's ESOP gives employees a larger benefit.

Use of convertible preferred stock will give employees a higher dividend, while the percentage of employee contributions matched by Olin will increase as the company meets corporate performance objectives. Olin performance goals for 1989 are earnings of $6 per share and a 17% return on equity.

The ESOP also will boost employee ownership to nearly 25% of Olin stock, up from 16% to 17%

For some, plans not best route

By Barry B. Burr

Even before tax legislation pending in Congress effectively killed the concept, PepsiCo Inc. decided against setting up a leveraged employee stock ownership plan — despite the seemingly compelling tax advantages enabling corporations to finance benefits at lower costs.

At the same time, two other companies — McDonald's Corp. and Unisys Corp. — have yet to establish their ESOPs. McDonald's was to set up a leveraged ESOP with an immediate allocation of $100 million in convertible preferred stock; Unisys was to set up a plan using $250 million in common stock allocated over four years. Both announced their plans in the spring.

ESOPs, as demonstrated by these companies and the many other corporations that never established them, haven't proved the universal employee-benefit financing technique their popularity might indicate.

PepsiCo executives, while dismissing ESOPs, nevertheless expressed strong support for employee ownership, believing they could better achieve that objective with a program of stock options for all employees at every pay level.

"ESOPs are done for a variety of reasons, and ownership sometimes isn't a major consideration," executives of the Purchase, N.Y.-based company said in a release.

"Some ESOPs involve an exchange of existing benefits for

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Use of leverage

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ings from 1983.

But at the end of 1986, with the change in tax laws encouraging the leveraged ESOPs, the 0.5% credit was no longer allowed. Though the company went ahead and contributed to its ESOP that amount out of earnings, in April 1989, it set up a leveraged ESOP.

For companies not wishing to assume a large debt load, changes in tax laws in 1986 encouraged the use of immediate allocation ESOPs. These allowed a firm to borrow annually for the ESOP, thus avoiding a large one-time debt, and still write off the principal and interest, up to 15% of payroll.

Mr. Binns said he is not aware of any public companies that have recently installed non-leveraged plans, and he said those that have had them now are adding to those with the immediate allocation ESOP.

"Why should you do a strictly non-leveraged ESOP with the benefits of an immediate allocation (available)?" asks Fidelity's Mr. Freiman.

Mr. Freiman has argued that the tax advantages of leveraged ESOPs are not as significant as those of an immediate allocation ESOP (*P&I Age*, July 24).

According to Mr. Binns, while "it's anyone's guess" whether the anti-takeover effects of a leveraged ESOP are the top priority, it's definitely a significant factor influencing their use.

Other advantages of the leveraged ESOP are in the financial planning area and in value for the employee benefits dollar.

Mr. Binns points out that using a leveraged ESOP to buy a large block of stock at today's prices can help the employees when the ESOP "suspense account" distributes the stock as the debt is paid down. The alternative is to purchase stock every year, at that year's price.

"There is a greater consistency in planning with the leveraged ESOP," he said. "Non-leveraged employees are paying more in a rising stock environment."

That was part of the reasoning behind the decision by Parker-Hannifin Corp., Cleveland, to do a $70 million leveraged ESOP this spring, according to Treasurer Wallace Young.

"We did elect to increase benefits to the 401(k) plan through a modest leveraging," Mr. Young said.

"The primary reason was to expand employee benefits."

According to Eric Raps, a consultant in employee benefits for Arthur Andersen & Co., Washington, the non-leveraged ESOP loses its luster when compared with the leveraged ESOP.

"The advantage of the leveraged ESOP, namely the below-market financing, is very attractive," he said. "The non-leveraged ESOP is just not as sexy. It doesn't do as much as far as producing cash flow."

However, Mr. Rosen said the non-leveraged ESOP is still the ESOP of choice for the majority of small private companies, even with the recent tax changes that make immediate allocation loans a preferred way for Mr. Freiman.

"It's really only an issue for public companies," Mr. Rosen said. "For most (private) ESOPs, immediate allocation loans are not available. "In the end, it's a matter of what's going to work best for each companies' financial position," he said. ■

Effects

Continued from page 35

law requires a bidder must win at least 85% of a target company's stock or wait three years to enjoy the benefits of the merger.

The study examined 73 companies that set up ESOPs during the 18-month period. Of those, the center had adequate data for 41 of the companies on how they changed employee benefit practices.

Twenty companies used the ESOP to increase benefits for employees, while another 20 replaced other benefits on a dollar-for-dollar basis. Only the St. Paul Cos., St. Paul, Minn., reduced total compensation.

The findings are "a little surprising," Mr. Rosen said. The expectation was the ESOPs provided "straight trade-offs" for other employee benefits, he said.

Key legislators have criticized corporations' use of ESOPs to obtain tax-advantaged debt. "The proliferation of debt-financed ESOP transactions shows that many companies are borrowing to establish ESOPs merely for the sake of obtaining tax benefits without providing any increase in benefits to employees," Rep. Dan Rostenkowski, D-Ill., said in a June statement.

Mr. Rostenkowski, who chairs the House Ways and Means Committee, spurred the move to restrict ESOP tax benefits in a June 6 proposal.

Most of the ESOPs studied were add-ons to existing plans, such as 401(k) salary reduction or savings plans. Often, the ESOP was used to provide the employer matching contribution.

Where the benefit was increased, it typically was 10 cents to 30 cents for each dollar contributed by employees.

Studies by consultants previously had found about two-thirds of company contributions to 401(k) plans had been made in company stock, thus the addition of the ESOP did not greatly alter the overall asset mix of such plans, the center said.

Of the 73 companies examined in the study, 33 had been mentioned as takeover candidates. While that does not definitively prove those companies adopted ESOPs as a takeover defense, Mr. Rosen thought the data suggested takeover considerations were the primary or sole reason for 35% to 45% of the companies.

Marvin H. Greene, vice president at TPF&C, Valhalla, N.Y., said he was not surprised employers have improved benefits. "A couple of the investment bankers recommended sharing the tax savings with employees and giving up some of the gain," he said.

The head of the subsidiary in Sao Paulo is asking for the go-ahead to expand operations in Brazil. The CFO is in Chicago. Sophisticated exposure management is essential.

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Top underwriters of ESOP related private placements (Jan. 1 to June 30)

Manager	Amount* ($ mils.)	No. of issues
First Boston	4,995.1	23
J.P. Morgan	2,975.0	7
Goldman, Sachs	2,489.3	6
Salomon Brothers	1,700.4	7
Lazard Freres	1,044.0	2
Bankers Trust	849.0	7
Morgan Stanley	555.0	4
Chase Manhattan	409.1	10
Merrill Lynch	375.0	2
Chemical Bank	170.4	2
Prudential-Bache Capital	100.0	1
Manufacturers Hanover	89.1	1
Northern Trust	64.3	1
First National Bank of Chicago	50.0	1
Smith Barney, Harris Upham	10.0	1

* Dollar amounts are principal amount, with full credit given to each manager. Only debt ESOP portions are included.
Source: Securities Data Co.

ESOPs to enter new era

Smaller, private deals replacing large, public ones

By Leonard J. Hollie

The face of ESOPs undoubtedly will change, but the benefit plans will remain a part of the corporate landscape.

Congressional action that likely will make large public employee stock ownership plan deals a thing of the past has made all practices and records through June obsolete, investment bankers say. These will be supplanted by a comeback of the smaller, private placement deals.

"The ESOP market today is much smaller and healthier because it is being driven by people who have a good business reason to bring employees into the company," said Jim Zukin, president of Houlihan, Lokey, Zukin & Howard inc., Los Angeles.

Mr. Zukin, who describes his company as a leading financial adviser to ESOPs, said pending legislation that would repeal the deductibility of dividends for most ESOPs would slow the activity in large, public ESOP deals.

The ESOP provisions would remove the 50% exclusion from taxes on interest paid to qualified lenders, such as banks, insurance companies and mutual funds.

Yet, the "net result of the big public deals has been to educate many people on Wall Street as to how ESOPs work and they are staying in the ESOP business," Mr. Zukin said.

"There was a pent-up demand for multi-investor (or private placement) ESOP deals, but they couldn't be made because they were being crowded out of the market by the large public deals," he said. "The current ESOP paper is drawing back into the marketplace all of the old investors because it is for highly leveraged transactions. It also has a tremendous spread because it is risky paper."

Rick Braun, a principal with Houlihan, Lokey, said non-public deals are used mainly as leveraged buy-outs. They are gaining popularity because companies get a lower interest rate on the ESOP debt and the debt is paid off in pre-tax dollars, he said.

Dick May, president of Valuemetrics Inc., Chicago, which advises ESOP trustees and also ESOP shareholders and management, said he has noticed the shift of deals to smaller companies, especially those with ESOPs between $2 million and $20 million, whose transactions will be largely unaffected by the bill.

Mr. May said the biggest beneficiaries of the new ESOP activity will be lenders. "The 1984 Income Tax Act created the 1042 tax-free rollover and the 133 interest exclusion for lenders. This caused a dramatic increase in ESOPs because lenders like the fact that they can realize increased yield with the same amount of risk."

Investment bankers, ratings companies and consultants said the kinds of companies that established ESOPs have changed dramatically since the legislation was proposed. Before, companies had a tax incentive for the plans; now, companies would be more labor-intensive and want to increase benefits offered employees.

"A lot of ESOPs will be used to fund an existing benefit, such as retirement medical expenses," said Paul Mazzilli, a principal with Morgan Stanley & Co. Inc., New York. "Companies will offer ESOPs rather than make unlimited promises on medical benefits."

Gianna Durso, project coordinator for the National Center for Employee Ownership, Oakland, Calif., said in the private sector, ESOPs provide a tax incentive for owners to use the equity they have built up in the company.

"It was at first thought the Rostenkowski bill that would eliminate low-cost capital for these deals would slow down the interest in ESOPs, but one month later, there were six deals worth about $10 million."

Mr. Mazzilli said Congress will not eliminate ESOPs, but thinks in the future there will be an increase in larger ESOPs where employees own a large portion of the company. "United Airlines is the perfect example and could be an archetype of this kind of deal in the 1990s," he said, referring to the recent effort by pilots and management to purchase the airline's parent, UAL Corp.

Mr. Zukin agrees, and said he expects to see an increase in deals where ESOPs own more than 51% of the business.

"ESOPs as an LBO transaction should benefit everyone: management, employees and outside stockholders," said M. Mark Lee, an associate with Bear, Stearns & Co. Inc., New York. "It's a way of trying to fund joint participation of labor and management through government tax breaks." ■

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Merger creating muscle

Mellon-McMahan union to be strong entity, execs say

By Hillary Durgin

PITTSBURCH — Executives at Mellon Bank Corp. and McMahan Real Estate Advisors Inc. expect their merged efforts to result not only in a larger, but also stronger, real estate investment firm.

San Francisco-based McMahan will be merged with Mellon's real estate investment unit, Mellon Real Estate Investment Management Corp., to create a new subsidiary, Mellon/McMahan Real Estate Advisors Inc.

The terms of the merger were not disclosed. The acquisition is subject to approval by the Office of the Comptroller of the Currency.

The new firm will have approximately $1.2 billion under management, said John McMahan president of McMahan Real Estate Advisors.

According to data compiled for *Pensions & Investment Age*'s annual directory of real estate advisers, McMahan had $630 million in total assets, of which $568 million was for U.S. institutional tax-exempt clients. Mellon Real Estate Investment Management reported $587 million in total real estate assets, of which $554 million was tax-exempt.

"I think we will be one of the few firms that can offer, on a separate account basis, a national strategy in the $5 million to $50 million range," said Mr. McMahan, who will remain with the new entity, overseeing day-to-day operations as president and chief executive officer.

Robert M. Boyles, executive vice president and head of Mellon's Trust and Investment Department, will serve as chairman of the new subsidiary.

Executives at both firms said the merger makes sense because the new subsidiary can offer real estate investment opportunities nationwide, playing off Mellon's strength in the Northeast and McMahan's in the Southwest. The new subsidiary will continue to invest primarily in small suburban business-oriented real estate, as both firms did in the past.

Mellon's existing real estate subsidiary has experienced turnover among its top management in recent years and was suffering declining market share, and was seeking to recover its position in real estate investment management.

McMahan Real Estate Advisors had been searching for a merger partner in the past year to continue growing at its current rate of $200 million a year, Mr. McMahan said.

Fifty-five percent of the newly combined subsidiary's properties lie west of the Mississippi River, and 45% are in the East, according to Thomas Butch, a Mellon spokesman. The new subsidiary's portfolio is invested 45% in offices, 35% in retail properties and 20% in industrial distribution centers and warehouses, he said.

The firm does not have any residential or hotel properties and does not intend to invest in any.

Clients said they would monitor how the merger affects the quality of asset management.

"We'll wait and see if the service is maintained at the same level," said Chuck Barron, assistant retirement administrator for the $735 million Contra Costa Employees Retirement Association, which has $62 million with McMahan. He added he has been pleased with the handling of the assets and had no reason to object to the merger.

Mellon's acquisition of McMahan Real Estate is consistent with a trend toward mergers and acquisitions in the money management field. Increasingly, foreign banks, insurance companies, private investment firms and other financial service firms have been buying asset management companies. Some Wall Street investment banks have expanded their operations, while others have sold them.

Dean Eberling, who follows asset management and brokerage stocks for Shearson Lehman Hutton Inc., said real estate advisory firms are an attractive business acquisition for financial institutions.

"It's an attractive investment for not only the fees going in and out, but also (because of) the potential of that asset as an inflation hedge," he said. ■

2 start up new firm

GREENVILLE, Del. — Charles S. Cruice and William F. D'Alonzo, formerly portfolio managers with Friess Associates Inc., Wilmington, have formed their own investment management firm, Greenville Capital Management Inc.

The two intend to follow an investment strategy that is "basically the same" as Friess' approach, with an emphasis on emerging growth companies, Mr. Cruice said.

"GCM manages equity portfolios for conservative investors who want higher growth than blue-chip securities provide, at minimal risk," Mr. Cruice said.

GCM plans to continue Friess' generalist approach toward investment selection, which is based on in-house fundamental research through direct industry contact.

The 6-week-old firm has seven clients to date, with accounts totaling "close to $5 million," of which almost $2 million is tax exempt, Mr. Cruice said.

GCM's accounts are new, and the firm does not intend to solicit any clients from Friess Associates, Mr. Cruice said. The firm plans to distinguish itself from Friess Associates by investing in smaller companies with sales of "$12 million on up," he added.

Friess Associates manages $708 million in assets for 83 clients, according to Clarke Adams, an investment manager at Friess. Clients must have at least $25 million in revenue to be eligible to invest in the Brandywine Fund, a publicly traded mutual fund Friess manages.

If growth at GCM meets their expectations, Messrs. Cruice and D'Alonzo plan to be managing $30 million in accounts within a year, which represents 10% of their ultimate target of $300 million in five years. ■

PIPER figures updated

Editor's note: *The following investment managers missed the deadline for inclusion in the Aug. 24 or Sept. 4 listings for Pensions & Investments' Performance Evaluation Report for periods ended June 30. All figures, except the international returns, are for funds that would have placed in the top quartile of their universe. This information was provided by Robin Stadler of Rogers, Casey & Associates, which compiles PIPER. All figures for periods of more than one year are compound annualized.*

American Security Bank's equity fund returned a compound annualized 12.9% and the equity income fund returned 13.9% for the three-year period. The bond fund returned 7.7% for the quarter, 12.5% for the year, 8.9% for the three-year, 16.1% for the five-year and 12.8% for the 10-year periods.

The equity fund of **Associated Bank** of Neenah, Wis., returned 24.6% for the year and 22.2% for the five years. The special equity income fund returned 41.3% for the year, 15.8% for the three years and 24.4% for the five years. The Worldwide fund returned 2.6% for the quarter, 18.4% for the year and 13.2% for the three-year period.

Chancellor Capital Management's Index Plus fund returned 9.7% for the quarter, 20.2% for the one-year and 20.9% for the five-year periods. The Multifact fund returned 22% for the five-year period.

CoreStates Investment Adviser's equity fund returned 9.4% for the quarter and 17.9% for the 10-year period. Its bond fund returned 8% for the quarter, 13% for the year and 8.8% for the three-year period.

First Kentucky Trust Co.'s equity fund retirement trust returned 9.3% for the quarter. The bond fund returned 7.7% for the quarter, 13.4% for the year, and 9.6%, 15.3% and 12.7%, respectively, for three-, five- 10-year periods.

Metropolitan Life Insurance Co.'s equity Separate Account 40 returned 11.4% and 23.2% for the quarter and year, respectively. The Separate Account 41 bond fund returned 14.7% for the five-year period.

Society National Bank's fixed-income fund returned 9%, 16.2% and 11.6% for the three-, five and 10-year periods, respectively. Society National's special equity Central Value fund returned 15.8% for the three-year period; the special equity Earnings Momentum fund returned 10.3% for the quarter; and its Ohio Regional Equity fund returned 13.6% for the three-year and 19% for the five-year period.

Trust Services of America's equity fund returned 20.3% for the five years, while the bond fund returned 7.6% for the quarter, 14.7% for the year, 10.1% for the three years, 16.6% for the five years and 11.9% for the 10 years. ■

Environmental

Continued from page 1

include corporate policies that affect the environment represents an expansion of the growing institutional activism.

Environmental concerns mounted worldwide after the Valdez spill garnered headlines everywhere. At that time, the New York City pension fund overseen by Comptroller Harrison Goldin threatened to cast the system's 6 million votes at Exxon's then-upcoming annual meeting against the board of directors if the board didn't take responsibility for the spill and speed up the cleanup (*P&I Age*, April 17).

The pension fund also asked for, and since has won, the appointment of a director to represent environmental interests, although some investors questioned whether marine scientist John Steele was the best choice.

In June, Mr. Goldin and Mr. Davis wrote six major oil and chemical companies in which their respective funds owned significant stock and asked the chief executives to appoint an environmentalist to their boards and create a public issues committee to audit company environmental and worker health and safety issues.

Corp., Pennzoil Co. and Tenneco Inc. — said they would consider the ideas. Many of the ideas contained in the letter were woven into the Valdez Principles, Mr. Davis said.

The Valdez Principles include requirements for companies to appoint environmentalists to their boards.

The first time an institutional investor pressed for selection of a board member to represent certain interests was earlier this year in the case of Texaco Inc. A group of institutional investors led by the California employees' system sought and won the election of a director whom they consider pro-shareholder. New York University President John Brademus was selected from a list of approved potential directors (*P&I Age*, Feb. 6).

At the moment, the principles are little more than a general prescription for being a good corporate environmentalist. Not many companies or other institutional investors have had the chance to analyze the code or formulate a response.

The 10 principles stress prevention of accidents and protection of the biosphere, conservation and

ardous materials.

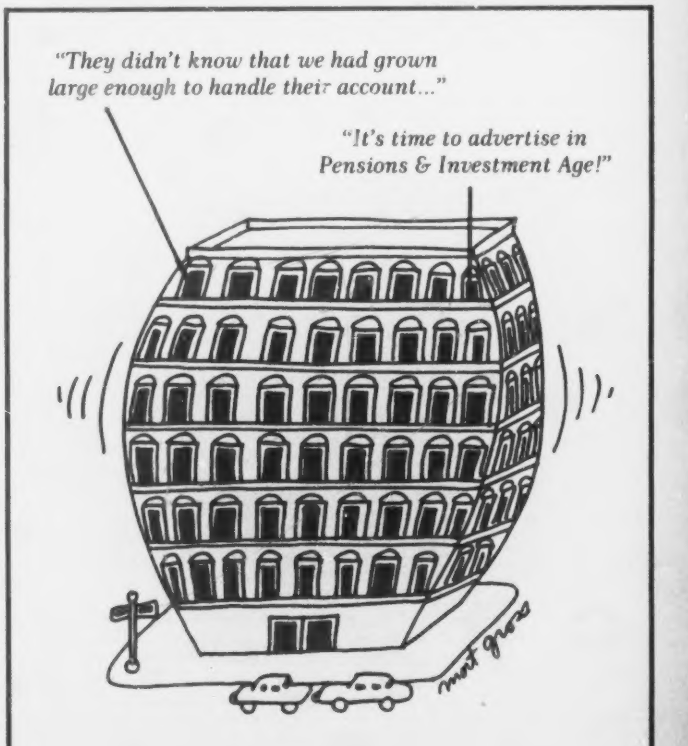
They also set goals of efficient energy usage, on-the-job safety and provide for reasonable levels of damage compensation, environmental disclosure, input from environmental interests and accountability.

But the pension funds and CERES hope to invigorate the code of conduct with a still-to-be-developed performance yardstick to measure responsible corporate environmental behavior. Mr. Davis, however, said perhaps companies would comply with the principles in different ways, rather than making everyone conform to one measurement.

Supporters of the Valdez Principles also plan to call on or write dozens of companies, asking them to volunteer to adopt the principles.

They also will look for institutional investors to sponsor proxy resolutions on the principles so shareholders can vote on them during the 1990 annual meeting season.

In other news on the social investing front, the Community Capital Bank, a bank being organized with the help of the Social Investment Forum, expects to launch a public stock offering soon. The bank will invest in low-income and moderate-priced housing and small businesses in



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Joint-trustee rule rejected

By Joel Chernoff

WASHINGTON — In a surprise victory for business, the U.S. House of Representatives rejected a move to give employees an equal voice with management in the investment and administration of private retirement plans.

Eighty-five Democrats helped give a resounding victory to Republican efforts to knock out the so-called Visclosky amendment from the House budget reconciliation bill, H.R. 3299.

The amendment, rejected 250-173, would have required creation of joint boards of trustees to oversee single-employer defined benefit and defined contribution plans, similar to those that exist for multiemployer plans, and would have given the Labor Department the authority to supervise elections of trustees.

The amendment, sponsored by Rep. Peter Visclosky, D-Ind., stemmed from frustration over the use of pension funds in takeovers and leveraged buy-outs, had been portrayed as a test of management and labor relations, but the importance of the pension issues took hold as the problem came to a head.

In a rare display of unity and lobbying force on a pension issue, business forces mounted a major effort to kill the amendment. Businessmen ranging from chief executive officers of Fortune 100 companies to small business groups complained to legislators about the proposal.

The unexpected Sept. 27 victory finally gave employers something to cheer about, after years of seeing increasingly restrictive pension rules.

"I did not think it was going to happen until I saw the votes coming in," said Mark Ugoretz, executive director of the ERISA Industry Committee, a Washington-based lobbying group that participates in a coalition to block pension provisions in the budget-reconciliation bills.

"It just goes to show that when members of Congress vote on a benefits issue, standing on its own, they understand the complexities" involved, said Jim Klein, deputy executive director of the Association of Private Pension and Welfare Plans, Washington.

Rep. Marge Roukema, R-N.J., who led the fight on the Hill to defeat the Visclosky amendment, said, "There were a good number of people who realized what folly it would be

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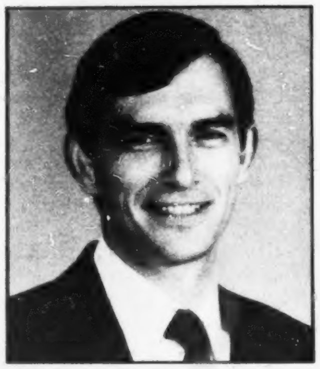
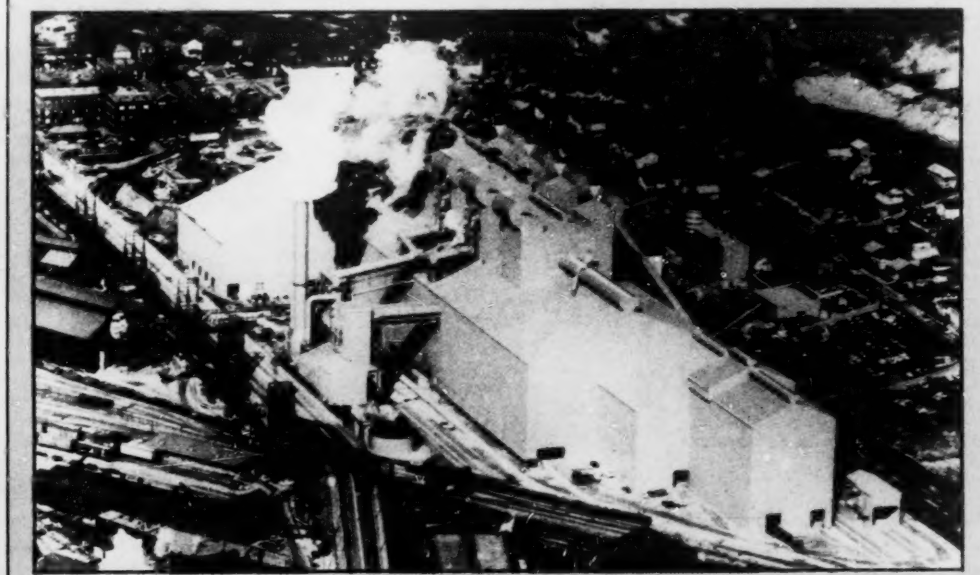


Peter Visclosky's effort to give workers a voice in pension decisions was defeated.



Analysts say the positive relationship between management at Weirton Steel and its employee-owners will help greatly in the ongoing contract negotiations.

New test at Weirton

Contract poses another ESOP hurdle

By Marcia Parker

WEIRTON, W.Va. — Weirton Steel Corp. is facing another critical test of the increasingly popular, but still unproven, practice of employee ownership.

The current labor contract between the International Steelworkers Union and Weirton — an ailing steel division when it was acquired by an employee stock ownership plan nearly five years ago and since hailed as an ESOP success story — expired Sept. 25; the contract has been extended while talks continue. Analysts who follow the steel company, which went public in June, say its relationship with its employee-owners is positive and they expect negotiations to go smoothly.

Late last week, the company and the union said they were making steady progress

Continued on page 70

Firms vent ire on FASB rules

By Fred Williams

NORWALK, Conn. — The Financial Accounting Standards Board can expect its collective ears to be ringing after hearings on its proposal to replace pay-as-you-go accounting with accrual accounting for retiree health benefits, judging from the comment letters submitted on the issue.

Hearings on the FASB exposure draft are scheduled Oct. 10-12 in New York and Nov. 2-3 in Washington.

"The hearings are going to be thermonuclear war," said Harry Don, consulting actuary with The Wyatt Co., Cleveland. "You have a lot of corporate finance people who are paid based on how the bottom line looks, and this is going to affect the bottom line."

Most of the 425 comment letters submitted to the FASB agree, in theory, with the principle of accruing post-retirement medical liabilities. By the same token, most of the letters disagree with some or most of the methods and assumptions used by the FASB in its proposal.

In particular, many companies differ with the FASB over such issues as the attribution period to be used, the use of health care cost trends, the discount rate to be applied and the transition period.

The deadline for written comments was Aug. 14. Representatives of many of the companies submitting written comments also will testify during the FASB hearings.

A breakdown of the letters indicates electric and gas utility companies were heavily represented with a total of 49 comment letters, followed by oil and gas companies with 31. The three major automakers submitted comments, as did six regional telephone operating companies and their former parent, American Telephone & Telegraph Co. Other industry groups represented were public accounting firms, 24; insurance companies, 13; trade associations, 12; metals companies, 10; drug companies, 10; chemical companies, seven; and telecommunications companies, six. Fourteen actuarial firms and 24 public accounting firms submitted written comments.

While the majority of the comments were critical of certain aspects of the FASB proposal, they generally were non-critical of the FASB's objectives of moving to accrual accounting and treating re-

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LATE NEWS

Alex. Brown ready to buy F.I.A.

BALTIMORE — A letter of intent is expected to be signed soon for the sale of F.I.A. Associates, Sacramento, Calif., to Alex. Brown Realty Advisors Inc., Baltimore, industry sources said.

Robert H. Gidel, managing director and chief investment officer of Alex. Brown Realty, however, said there is no definitive agreement. H. James Griggs, chairman, president and founder of F.I.A., could not be reached for comment, nor could representatives of Bear, Stearns & Co., Los Angeles, which has been retained to sell F.I.A.

One of F.I.A.'s largest clients, however, has been notified of the sale. DeWitt Bowman, chief investment officer of the $55 billion California Public Employees' Retirement System, said F.I.A. executives had let him know an agreement had been reached to sell the firm to Alex. Brown Realty.

"We're pleased," Mr. Bowman said of the transaction. "We feel it's entirely appropriate that it be acquired by a firm that is in the real estate business. We think it's a good matchup." F.I.A. manages $1.3 billion for the system.

F.I.A.'s parent company, MeraBank, Phoenix, Ariz., put the firm up for sale as part of a restructuring plan (*Pensions & Investment Age*, Aug. 21).

Other F.I.A. clients reached for comment said they had not heard a sale agreement was imminent.

Real estate consultants said they were not aware of the development, either, but were not surprised by it.

Alex. Brown and F.I.A. have at least one client in common, the $23.5 billion Teacher Retirement System of Texas, Austin. F.I.A.'s clients are all public pension funds.

As of June 30, F.I.A. had $2.463 billion in tax-exempt assets under management, of which $1.418 billion was in real estate equity, $1.062 billion in hybrid debt and $163 million in mortgages. Alex. Brown Realty had $1.162 billion in tax-exempt assets managed, of which $437 million was in real estate equity, $695 million in hybrid debt and $30 million in mortgages.

Bank to spin off investment unit

CHICAGO — Continuing a trend toward spinoffs of banks' investment units, Harris Bankcorp Inc. is seeking to form a money management subsidiary.

If approved by regulators, the services of Harris Bank's institutional investment management group would be transferred to the new subsidiary, to be called Harris Investment Management. The group has $8.5 billion under management for tax-exempt institutional investors. It manages another $300 million in mutual funds, which have a mix of individual and institutional clients.

John C. Kirscher, the group's chief investment officer, would head the subsidiary, overseeing a staff of 75.

Regulators whose approval is needed include the Federal Reserve System and the Securities and Exchange Commission. Bank officials said they expect approval before the end of the year.

Funds add to manager lineups

• BAKERSFIELD, Calif. — Making its first move into international investing, the roughly $427 million Kern County Employees' Retirement Association hired Wells Fargo Investment Advisors, San Francisco, to manage $40 million in passive international equities.

The account likely will track a customized index, as trustees indicated interest in limiting exposure to Japan, said William S. Hutchinson, pension administrator. Trustees chose a passive rather than active approach because of active managers' difficulty in beating market indexes, he said.

Wilshire Associates, Santa Monica, was consultant in the search.

• HOUSTON — The $570 million Houston Firemen's Relief and Retirement Funds has committed $6.25 million to Hyperion Partners, a New York limited partnership that invests in financial services companies including savings and loans.

James Rickenbacker, investment officer, said the fund had been seeking a viable method of investing in the S&L industry and Hyperion offered the best opportunity.

Hyperion owns United Savings Association of Texas, a Houston thrift.

George Cones, executive director, said the Hyperion investment should provide "an opportunity to realize above-average returns through the recovery of the Texas economy and the Houston-based financial institution. We look forward to watching the partners capitalize on the changes under way in the savings and loan industry and blending other financial service companies and real estate based investments into the partnership."

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Vol. 17, No. 21 — Pensions & Investment Age (ISSN 0273-5466) is published biweekly with a special edition in May by Crain Communications, Inc., 740 Rush St., Chicago, Ill. 60611-2590.

Activism blasted

CEO claims results aren't worth effort

By Marcia Parker

NEW YORK — General Mills Inc. Chief Executive Officer Bruce Atwater, one of the few chief executives who has been vocal about growing institutional investor activism in the corporate governance arena, last week criticized those initiatives, saying there is no evidence their campaigns have paid off in improved corporate performance.

Bucking the beliefs of many activist institutional shareholders, Mr. Atwater said corporate performance and corporate governance are two separate issues. There is no relationship between the two, Mr. Atwater said in a keynote address to institutional investors attending a conference hosted by the Institute for International Research.

On hand were representatives from more than 50 corporate, state and public pension funds and money management firms, some of whom took issue with his remarks.

Although they agreed it is hard to measure any correlation, they are confident institutional investors can rightly claim some credit for companies that have moved to maximize shareholder value in recent years. Others said the views Mr. Atwater expressed were representative of most corporate executives, especially members of the Business Roundtable. Such beliefs, they added, are part of the reason there is often friction between management and institutional shareholders.

The Business Roundtable represents the nation's top executives, and its members have been reluctant to speak out on corporate governance issues. Because Mr. Atwater heads the group's task force on corporate responsibility, which focuses on corporate governance, his near condemnation of institutional investor activism carries more weight.

Mr. Atwater stopped short of asking the activists to get off the collective back of corporate managements, but he called their efforts counterproductive in the evolving relationship between companies and institutional shareholders.

When Richard Koppes, chief counsel of the $45.9 billion California Public Employees' Retirement System, one of the most activist pension funds in the country, asked what institutional shareholders should be doing to enhance communication, Mr. Atwater offered few specifics.

While Mr. Atwater seemed to be calling for a scaling back of institutional investor activism, Edward Regan, New York state comptroller and steward of the $38 billion New York State & Local Retirement System, unveiled several new and far-reaching proposals being developed by him and his staff to help institutional shareholders exercise their corporate ownership responsibilities. "Ownerless capitalism will not work," he said.

Mr. Regan called for the separation of the positions of corporate chief executive officer and chairman of the board of directors; the establishment of a nominating committee composed

Continued on page 69

Extending the reach

Financial firms cementing global connections

By Marcia Parker

NEW YORK — The recent international teamings of financial services and investment management firms are part of a growing trend bringing together diverse financial institutions to create global financial service powerhouses.

These firms are combining their expertise in money management, corporate finance and advisory work to provide a wider range of financial services institutional clients worldwide are demanding as the industry becomes more global.

In September, the Matuschka Group, a European investment management and financial services firm, joined forces with six global financial services industry leaders. Partners with Matuschka in the new firm, Matuschka Group Limited Partnership, are Nomura International PLC, GE Capital USA, France's Suez International S.A., Britain's Charterhouse Bank Ltd. and Willowbridge Investments Ltd., and Italy's AKROS International Holding S.A.

Ullrich Moser of the Matuschka Group says more clients want international service.

The financial institutions collectively bought 25% of Matuschka, a private firm formed in 1970 with about $850 million under management. Partner Ullrich Moser declined to say how much capital each partner contributed, but he did say the new firm's capital would be boosted substantially. The other 75% will remain with 33 senior Matuschka managers. The Matuschka Group employs 390 people in 17 offices

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Foreign realty draws attention

By Steve Hemmerick

U.S. pension funds and their investment management firms are laying the groundwork for forays into international real estate investing, an area of growing interest among institutional investors.

Stanislaw Maliszewski will

• Officials for the $1.4 billion Hercules Inc. pension fund, Wilmington, Del., are exploring ways to invest in international property — probably in Europe — as a means of further diversifying the fund's real estate portfolio, which comprises 12% to 15% of its total assets, said John R. Long, director of investments.

• In an attempt to broaden its client base, Jones Lang Wootton Realty Advisors, New York, has named Stanislaw Maliszewski a managing director with initial responsibility for marketing the new JLW Western Europe Property Fund, said John A. Weisz, a partner of Jones Lang Wootton Realty Advisors.

• Jones Lang Wootton U.S.A., an affiliate of Jones Lang Wootton Realty Advisors, is putting the finishing touches on a $3 billion international real estate investment venture with Prudential Re-

ternational property vehicle, which could take the form of a real estate investment trust, although the partial management buy-out of the former North American subsidiary of REI Ltd. has slowed work on its development, according to David R. Hodes, a director with Yarmouth.

• Equitable Real Estate Investment Management Inc., New York, reportedly has begun to quietly market an international real estate product, but no details on that fund were immediately available.

The larger pension funds are expected to take the initial lead in foreign property investments.

"I think the largest institutional investors will be actively considering or investing in international real estate over the next 18 or 30 months," said Alan Emkin, a principal with Pension Consulting Alliance, Glendale, Calif.

"The first step in that direction,

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Off-floor trading proposal hailed

By Trudy Ring

Investment professionals for the most part lauded the Chicago Mercantile Exchange's proposal to allow some degree of off-floor trading for large blocks of Standard & Poor's 500 Stock Index futures.

The proposal likely would create a more liquid and efficient marketplace for institutional investors. The idea will be implemented on a pilot basis if approved by the Commodity Futures Trading Commission.

"The basic idea is a good idea," said Edward B. Dillman, president of Harris Derivative Investments Inc., Chicago. "It's hard to argue with because it needs doing."

"I think it's a step in the right direction," said Girish Reddy, chief investment officer of Leland O'Brien Rubinstein Associates Inc., Los Angeles.

The proposal would allow member firms with a customer order to buy or sell 300 or more S&P 500 futures contracts to find a counterparty to the trade "upstairs," or outside the trading pit.

Upon finding a counterparty, the firm would notify an exchange official and announce the order to the pit, without disclosing the intended price. Traders in the pit would have the opportunity to trade with all or part of the order; the remainder then would be traded to the counterparty at the agreed-upon price.

The proposal has the endorsement of the Merc committee that reviewed trading practices after recent criminal investigations of traders in pits other than the S&P 500. It also had a certain amount of advocacy from the exchange's equity products advisory committee, which includes representatives from pension funds, money management firms and brokerage houses.

"It has certainly been discussed and I think there has been some advocacy for this," said Frederick L.A. Grauer, chairman of Wells Fargo Investment Advisors, San Francisco, and a member of the equity products advisory committee.

Merc officials said the concept is comparable to block facilitation rules for stocks. It also is designed to meet the needs of the exchange's institutional clientele.

"The institutions have become a more important part of the S&P 500 market," said Joanne M. Hill, first vice president of PaineWebber Inc., New York.

"You're always better off when you have more potential bids and offers brought to bear on a large trade," Ms. Hill said.

"Clearly, it's beneficial to the customer for both the upstairs and the downstairs marketplace to have a shot at filling the order," said Steve Wunsch, vice president of Kidder, Peabody & Co. Inc., New York.

Such enthusiasm was not in evidence at the Chicago Board of Trade, the Merc's major rival in the futures markets. "The Board of Trade's markets have always provided enough liquidity that off-floor block trading has not been necessary," spokesman Mark Prout said. ■

CORRECTIONS & CLARIFICATIONS

- **SEI Corp.** has nearly 70 clients for its transaction cost analysis services sold to plan sponsors and money managers. Both products are being marketed actively, and SEI has garnered eight new plan sponsors in the past four months. An article in the Sept. 18 issue inaccurately portrayed the acceptance and status of those products.

  The same article referred to a study commissioned by **Jefferies & Co Inc.**, which is a New York brokerage firm that specializes in third-market transactions. The firm had been misidentified.

- **Commercial Capital Management** is in Arkansas. The location was incorrect in the Aug.

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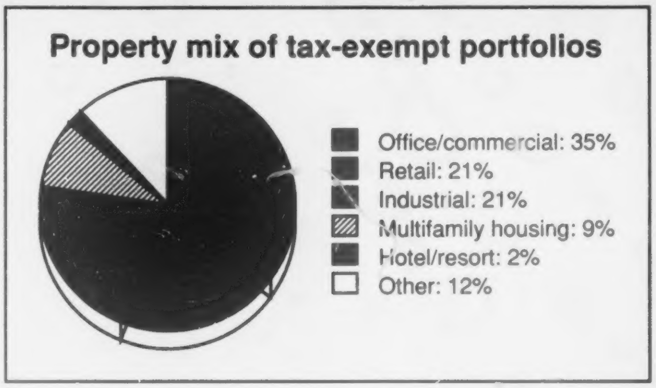
Assets swell by 20%

But Japanese outspend U.S. investors

By Steve Hemmerick


Property mix of tax-exempt portfolios

U.S. pension investors appear to be committing new dollars to real estate investment in this country at a slower pace than the Japanese, a comprehensive *Pensions & Investment Age* survey of institutional real estate advisers has found.

U.S. tax-exempt investors have committed an estimated $12.214 billion in new dollars to property investments during the year ended June 30, the survey showed.

A study done by Kenneth Leventhal & Co., a Los Angeles accounting and real estate consulting firm, revealed Japanese investors spent, not just committed, $16.54 billion on U.S. real estate during calendar year 1988. Although the time periods are different by six months, Japanese investment in U.S. property is thought to remain brisk at between $13 billion and $15 billion annually, according to Jack R. Rodman, a managing partner in Leventhal's Los Angeles office.

The commitment of U.S. tax-exempt investors to domestic real estate might be slightly less than $12.2 billion because a small amount of their assets is being targeted for non-U.S. properties.

According to Mr. Rodman, some key reasons U.S. tax-exempt investors appear to be trailing Japanese investment in U.S. real estate are the Japanese are willing to take slightly higher risks; they invest in property types U.S. pension funds tend to avoid, such as hotels, golf courses and single-family homes; and they are willing to take lower initial cash-on-cash yields on trophy office buildings and other properties.

More than 100 investment management firms returned *P&I Age*'s questionnaire. The top 50, ranked by tax-exempt assets, are profiled on the following pages.

According to the survey, there was $113.413 billion in tax-exempt real estate assets as of June 30, up 19.9% from $94.579 billion the previous year.

Tax-exempt equity real estate assets rose 24.3% to $90.145 billion as of June 30; tax-exempt hybrid debt assets climbed 17% to $17.875 billion; and tax-exempt mortgage assets fell 19.6% to $5.292 billion from $6.586 billion.

Of the $18.834 billion increase in tax-exempt real estate assets, about $6.62 billion was the result of investment appreciation and income, based on the 7% total return of the FRC Property Index for year ended June 30.

The new money flowing into realty investments, plus the increase in value of existing property holdings, has increased the allocation to real estate to 4.2% of an estimated $2.675 trillion in total pension assets as of June 30, from 3.8% of an estimated $2.463 trillion a year earlier.

"Surprisingly, although the allocation to real estate is increasing, tax-exempt investors are still far behind the targeted asset allocations they have established for themselves," said Kevin Lynch, a principal with The Townsend Group, Cleveland.

Although tax-exempt investors committed only $12.2 billion in new dollars to property investments, real estate money managers appear to be choking on those commitments.

The 108 managers responding to the survey reported $2.5 billion in contributions received but not invested as of June 30. In addition, those managers reported $8.2 billion had been committed to them for investment, but the cash had not yet been received. Some pension investors distribute cash to their money managers only after the manager has located an investment and the money is needed.

"That means that $2 billion was actually put to work during that 12-month time period. That suggests to me that an awful lot of money is standing in the wings waiting to be invested and looking for deals, and perhaps the managers are having a difficult time finding the transactions that meet their investment criteria," said Nori Gerardo, a managing director with Pension Consulting Alliance in Glendale, Calif.

With all that money backed up, it was no surprise 68 of the 108 real estate managers surveyed said they were going to concentrate on acquisition of properties in the coming months.

The survey also showed 25 managers were going to concentrate on asset management and rehabilitation of existing properties and seven were going to focus on the disposition of properties.

There has been a sharp move of more than $2 billion during the past 12 months to industrial properties from offices, which consultants say is not unexpected given the problems in the office market.

During the year ended June 30, there was a two percentage point reduction in the allocation to the office sector to 35%, equal to $2.3 billion. There also was a two percentage point increase in the allocation to industrial properties — to 21% of tax-exempt assets.

The investment in retail assets remained stable — 21% of tax-exempt assets — during the year ended June 30. Of the 12% of assets grouped in the "other" category, however, there appears to be a considerable allocation to mixed-use properties, which could include retail space.

Many of the managers listing "other" investments also indicated substantial investments in land, business parks, farmland, timberland and mobile home parks.

Other allocations that remained the same during the year were multifamily housing, 9%, and hotels and resorts, 2%.

Thirty-four managers said they would emphasize investment in industrial properties during the year, the most popular area of investment. Another 18 managers said they would emphasize investment in retail properties; 11 managers said they would emphasize office properties, which used to be the favorite; and 11 firms said they would focus on multifamily investments, which have become an increasingly popular investment choice.

According to the survey, two managers said they would emphasize congregate care housing; three managers were focusing on timber; two managers were emphasizing farmland; one firm was going to concentrate on investments in land; and one manager was going to focus on storage facilities.

Not all of the managers indicated a preference; 19 firms reported they had no particular emphasis on property types and two others said they didn't expect to be buying property. Four firms did not answer the question.

"Just this year, from the searches that we have conducted, there is a lot of interest in specialty property types," said Townsend's Mr. Lynch. "A lot of new capital is hitting the markets for property types that were previously not known to institutional investors, such as apartments."

There also were changes in the regional allocation of the tax-exempt portfolios. The regional allocations use the FRC index's regional locations.

As of June 30, the managers had 34% of their tax-exempt assets in the West, compared with 35% the previous year; 20% in the Midwest, compared with 22%; 20% in the East, up from 18%; and 26% in the South, up from 25%.

As in past years, most of the assets allocated to real estate were concentrated among a few, large managers.

The 10 largest money managers, based on tax-exempt assets under management, had $57.5 billion in tax-exempt assets allocated to them, some 50.7% of all the tax-exempt money allocated to real estate. The Top 20 real estate firms controlled $81.2 billion, or 71.6% of the tax-exempt total.

The survey also showed the amount of money in separate accounts is nearing the amount in commingled funds. About $50.5 billion, or 45% of the tax-exempt assets, was in separate accounts, compared with $62.9 billion, or 55%, in commingled funds.

According to the survey, the manager with the most tax-exempt assets was Equitable Real Estate Investment Management Inc., New York, with $10.225 billion in assets as of June 30, up 22.9% from the previous year. According to Equitable Real Estate officials, however, about half of that increase was due to the natural increase in asset values and about $1 billion was from the allocation of new dollars.

George R. Puskar, president and chief executive officer for Equitable Real Estate, said the new contributions were split about equally among separate accounts, specialized closed-end funds and open-end funds. Several large separate accounts, he said — each in the $100 million range — came from large public funds.

About one-third of the new dollars Equitable received for investment went into retail properties, particularly large shopping malls, said Mr. Puskar.

Equitable grabbed the top-spot from Copley Real Estate Advisors, Boston, which slipped to third place with a reported $7.818 billion in tax-exempt assets.

Copley had reported $8.698 billion in tax-exempt assets as of June 30, 1988, but that included about $2 billion in general accounts assets of its parent company, The New England, which were not included in this year's total. When the insurance company's assets are taken into account, Copley's tax-exempt assets actually rose 16.7%.

In second place was JMB Institutional Realty Corp., Chicago, with $8.801 billion in assets, up 29.4%. JMB did finish first among real estate managers holding tax-exempt assets for investment in non-U.S. properties with $4.289 billion. Far behind in second place was The RREEF Funds, San Francisco, with $61 million.

Copley was first among 49 real estate managers with tax-exempt assets in developmental properties, with about $3.83 billion. Second was McMorgan & Co., San Francisco, with $1.35 billion. McMorgan also had 74% of its assets in single-family homes.

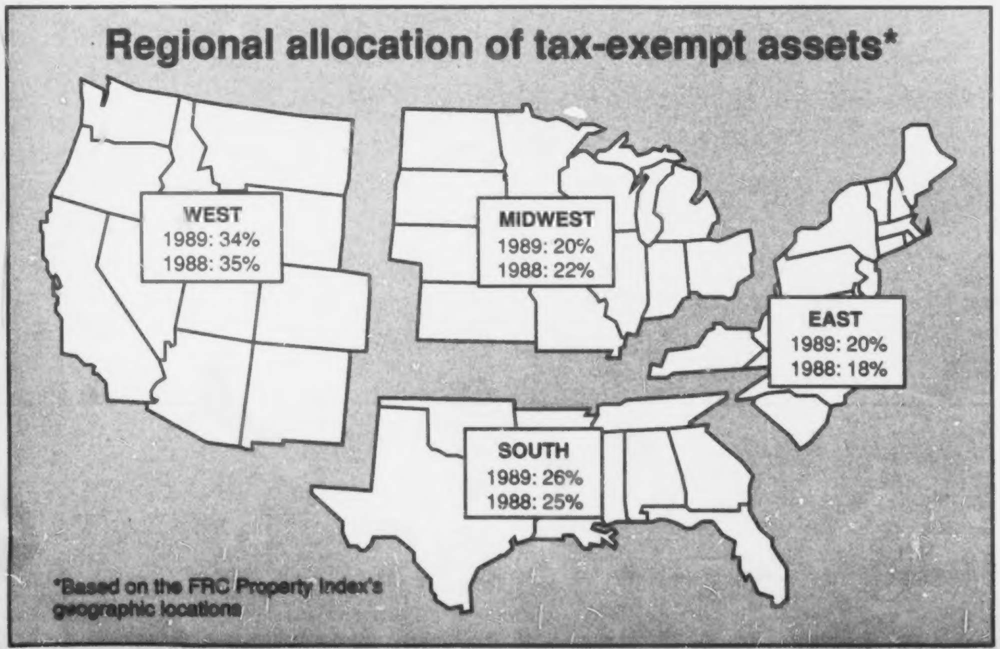
The Yarmouth Group, New York, finished first among real estate managers with non-U.S. clients, with $3.06 billion. According to the survey, 31 managers run a total of $16.768 billion for non-U.S. clients.

Almost one-half of The Yarmouth Group's assets managed for non-U.S. clients — $1.45 billion — came from Japanese investors. Twelve managers held $6.501 billion in assets for Japanese clients.

The survey found 55 real estate managers have earmarked a total of $1.531 billion for rehabilitation of existing properties in their tax-exempt portfolios. The manager with the largest allocation for rehabilitation is Jones Lang Wootton Realty Advisors, New York, with $250 million.

Among all the firms responding, total assets rose 4.9% to $326.584 billion as of June 30, from $311.159 billion the previous year. The Prudential Realty Group, Newark, N.J., again was ranked first by total real estate assets, with $52.8 billion, up 39.6%. ■

Regional allocation of tax-exempt assets*



*Based on the FRC Property Index's geographic locations

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Real estate investment advisers ranked by tax-exempt assets

	Tax-exempt assets ($ mils.)					Taxable/tax-exempt assets ($ mils.)			
	Total	Equity	Hybrid debt	Mortgages	Fully discretionary	Total	Equity	Hybrid debt	Mortgages
1 Equitable Real Estate	10,225	9,786	146	293	10,225	34,726	23,359	1,645	9,722
2 JMB Institutional Realty*	8,801	8,638	163	-	8,529	9,031	8,868	163	-
3 Copley Real Estate Advisors	7,818	7,818	-	-	-	14,136	14,136	-	-
4 Heitman Advisory	5,596	5,596	-	-	3,960	5,596	5,596	-	-
5 Prudential Real Estate	5,491	5,086	166	239	5,409	52,800	22,000	200	30,600
6 Aetna Life & Casualty	5,261	4,070	1,152	39	4,220	28,205	5,554	1,152	21,499
7 RREEF Funds	3,701	3,701	-	-	2,925	3,701	3,701	-	-
8 LaSalle Advisors	3,616	3,616	-	-	1,984	3,616	3,616	-	-
9 Aldrich, Eastman & Waltch	3,490	655	2,295	540	1,700	3,660	770	2,350	540
10 GE Investments	3,480	3,030	330	120	3,480	3,480	3,030	330	120
11 Yarmouth Group	3,165	2,820	345	-	690	6,225	5,880	345	-
12 TCW Realty Advisors	2,816	2,210	606	-	2,365	2,816	2,210	606	-
13 Corporate Property Investors	2,669	2,669	-	-	2,669	4,319	4,319	-	-
14 F I A Associates	2,643	1,418	1,062	163	290	2,643	1,418	1,062	163
15 Boston Co. Real Estate Counsel	2,494	843	1,651	-	2,123	2,494	843	1,651	-
16 CIGNA Investments	2,089	1,632	416	41	1,074	13,653	2,705	1,758	9,190
17 Lehndorff & Babson	2,006	2,006	-	-	736	3,428	3,428	-	-
18 Jones Lang Wootton	2,000	1,500	500	-	1,000	2,000	1,500	500	-
19 J.P. Morgan Investment Mgmt	1,982	675	1,307	-	1,868	2,120	732	1,388	-
20 Balcor Co	1,892	332	1,515	45	-	4,900	3,140	1,515	245
21 McMorgan & Co	1,500	200	200	1,100	1,500	1,500	200	200	1,100
22 Sentinel Real Estate	1,358	1,358	-	-	1,358	1,626	1,626	-	-
23 O Connor Group	1,350	1,350	-	-	321	1,609	1,609	-	-
24 Latimer & Buck	1,300	-	663	637	572	1,300	-	663	637
25 MIG	1,233	618	489	126	474	1,236	618	489	129
26 Alex. Brown Realty Advisors	1,162	437	695	30	85	1,184	459	695	30
27 PSI Institutional Realty	1,040	1,040	-	-	-	2,943	2,681	-	262
28 Coldwell Banker Commercial Realty	1,005	965	40	-	583	1,087	1,047	40	-
29 Metropolitan Life	948	948	-	-	948	24,000	9,900	-	14,100
30 Kennedy Associates	939	620	295	24	214	939	620	295	24
31 First Chicago Investment Advisors	907	880	27	-	841	940	913	27	-
32 Lomas Advisors	905	-	741	164	44	1,058	-	894	164
33 L.J. Melody	900	-	479	421	-	2,063	-	712	1,351
34 John Hancock	859	843	-	16	-	13,992	2,440	-	11,552
35 Cabot, Cabot & Forbes	850	850	-	-	-	850	850	-	-
36 Property Capital Associates	780	780	-	-	780	780	780	-	-
37 NCNB National Bank	762	685	77	-	762	762	685	77	-
38 Karsten Realty Advisors	718	591	23	104	488	718	591	23	104
39 First Wachovia	687	687	-	-	687	708	708	-	-
40 Citicorp Real Estate	634	488	-	146	441	890	743	-	147
41 Eastdil Realty	579	522	28	29	495	2,541	1,547	957	37
42 McMahan Real Estate	568	483	85	-	400	630	536	94	-
43 Mellon Real Estate	554	307	123	124	515	586	339	123	124
44 State Street**	549	273	175	-	549	549	273	175	-
45 Birtcher Realty Advisors	541	541	-	-	541	541	541	-	-
46 ASB Capital Mgmt	521	329	192	-	48	521	329	192	-
47 Wells Fargo Realty Advisors	472	84	387	1	201	523	231	291	1
48 Schroder Real Estate	450	450	-	-	275	1,200	1,200	-	-
49 Phoenix Mutual Life	432	125	307	-	432	2,756	422	956	1,378
50 Union Labor Life	414	-	-	414	414	613	-	-	613
51 Chesterton International	400	311	85	4	345	415	326	85	4
52 Frank Russell Trust (m)	398	398		-	398	398	398	-	-
53 PM Realty Advisors	367	367	-	-	367	641	641	-	-
54 Shurgard Realty Advisors	359	359	-	-	359	520	520	-	-
55 Bennett & Kahnweiler	353	290	63	-	251	353	290	63	-
56 Piedmont Realty	345	114	231	-	-	1,001	292	709	-
57 Travelers	341	316	-	25	282	19,250	1,780	-	17,470
58 Sierra Capital	312	312	-	-	312	524	524	-	-
59 Trident/Meyer	294	222	61	11	-	399	222	61	116
60 FS Realty Partners	281	230	51	-	159	281	230	51	-
61 Capital Consultants	257	75	74	108	257	257	75	74	108
62 Mid Atlantic Realty Advisors	227	95	132	-	20	227	95	132	-
63 NCNB Texas	215	213	-	2	146	460	450	-	10
64 Bank of Boston	213	160	53	-	213	256	160	96	-
65 RCB Trust	212	101	111	-	212	212	101	111	-
66 Hart Advisors	200	135	25	40	-	200	135	25	40
67 EAI Resource Investments	168	168	-	-	168	168	168	-	-
68 Grubb & Ellis	165	155	9	1	130	178	155	20	3
69 Equitec Institutional Realty	151	151	-	-	151	151	151	-	-
70 Loeb Partners Realty	150	150	-	-	-	750	750	-	-
71 Woodmont Realty Advisors	150	150	-	-	-	600	600	-	-
72 Principal	143	143	-	-	143	300	300	-	-
73 Acquest Capital Mgmt	130	29	94	7	-	162	33	107	22
74 Massachusetts Mutual Life	129	129	-	-	129	6,958	686	-	6,272
75 Rocky Mountain Investors	121	15	4	102	121	121	15	4	102
76 T. Rowe Price Realty	120	100	20	-	120	300	275	25	-
77 AMB Institutional Realty	112	82	30	-	112	583	553	30	-
78 MONY Real Estate	111	49	-	62	49	6,400	1,400	-	5,000
79 Lieberman Cos.	100	80	-	20	100	100	80	-	20
80 Wellington Real Estate	100	-	100	-	-	100	-	100	-
81 National Property Advisors	95	95	-	-	54	274	274	-	-
82 NBS Realty Advisors	90	90	-	-	-	90	90	-	-
83 First Asset Realty Advisors	87	87	-	-	87	87	87	-	-
84 D.A. Mgmt.	86	57	22	7	64	91	62	22	7
85 Metric Institutional Realty	76	30	30	16	179	1,966	1,920	30	16
86 Amli Institutional Advisors	75	75	-	-	-	385	236	-	149
87 Am Cal Advisors	73	33	-	40	6	146	33	40	73
88 Baring Institutional Realty	72	72	-	-	-	735	476	259	-
89 Angeles Institutional Advisors	70	70	-	-	70	1,162	452	-	710
90 Garrett Realty Advisors	69	69	-	-	23	69	69	-	-
91 Hayden, Tolzmann	67	67	-	-	-	67	67	-	-
92 Forest Investment Associates	53	53	-	-	33	53	53	-	-
93 Harris Trust	39	39	-	-	39	39	39	-	-
94 Griffin Capital	30	-	-	30	30	76	46	-	30
95 Trinity Advisors	25	25	-	-	25	25	25	-	-
96 American Agricultural Investment Mgmt.	12	12	-	-	-	21	21	-	-
97 First Wisconsin Trust	11	10	-	1	11	31	25	-	6
98 Mercantile Bank	5	5	-	-	5	5	5	-	-
99 Associated Real Estate Advisors	-	-	-	-	-	-	-	-	-
100 Edgecombe Group	-	-	-	-	-	850	837	-	13
101 Equitable Agri-Business	-	-	-	-	-	2,112	125	-	1,987
102 Farmvest	-	-	-	-	-	5	5	-	-
103 Fiduciary Trust International	-	-	-	-	-	55	55	-	-
104 King Mgmt.	-	-	-	-	-	100	80	-	20
105 Morguard Investments	-	-	-	-	-	1,079	1,079	-	-
106 Penreal Advisors	-	-	-	-	-	136	136	-	-
107 Richard Ellis	-	-	-	-	-	18	18	-	-
108 USF&G Realty Advisors	-	-	-	-	-	846	137	709	-
Total	**113,413**	**90,145**	**17,875**	**5,292**	**73,987**	**326,584**	**165,152**	**24,321**	**136,010**

*An additional $12 billion in total assets is managed by an affiliate, JMB Realty

**Other assets included in total

(m)-manager of managers; assets not included in totals

Aetna Life and Casualty Co.

151 Farmington Ave., Hartford, Conn.
06156; (203) 636-6226

Tax-exempt real estate assets	$5,261,000,000
Equity	$4,070,000,000
Hybrid debt	$1,152,000,000
Mortgages	$39,000,000
Commingled or pooled funds	
Equity	$3,068,000,000
Hybrid debt	$1,152,000,000
Direct, separate accounts	
Equity	$1,002,000,000
Mortgages	$39,000,000
Total real estate assets	$28,205,000,000
Equity	$5,554,000,000
Hybrid debt	$1,152,000,000
Mortgages	$21,499,000,000

As of June 30, Aetna Life and Casualty Co. had $5.261 billion in U.S. institutional tax-exempt real estate assets, of which $4.22 billion was in fully discretionary accounts.

The tax-exempt equity assets had a market value of $2.864 billion as of June 30. Contributions received but not invested were $149 million; contributions committed but not received were $1.057 billion.

The hybrid debt holdings had a market value of $1.112 billion. Contributions received but not invested were $40 million. The market value of the mortgages was $39 million.

Of tax-exempt general account assets, $16.018 billion was invested in mortgages; of total assets under management, $211 million was for non-U.S. pension funds.

Of the tax-exempt assets, 92% was invested in existing properties and 8% in developmental properties.

The property mix for tax-exempt assets was 4% hotel/resort; 21% industrial; 23% multifamily housing; 32% office/commercial; 18% retail; and 2% in land and single-family dwellings.

The tax-exempt property portfolio is located 42% in the West; 12%, Midwest; 27%, East; and 19%, South.

Aetna expects to spend $150 million to $200 million for tax-exempt clients on rehabilitation, renovation, expansion or modernization of existing properties in 1989.

The firm offers open-end and closed-end commingled funds, including closed-end specialty accounts, open-end participating mortgage accounts, single property and individual separate accounts.

As of June 30, the Union Separate Account, an open-end fund, had received and invested $76 million and had received, but not invested $23 million for 25 participants. The fund has a participating mortgage investment structure; investments are exclusively in union-built, newer, high-yielding, institutional-quality properties.

The Real Estate Separate Account is an open-end fund. As of June 30, the fund had received and invested $1.573 billion and received, but not invested $98 million for 276 participants. The fund makes equity forward commitments on to-be-built properties, rehabilitation opportunities or new, substantially leased high-yielding investments. Investments are either a joint venture basis or wholly owned and are diversified by both property type and geographic region.

The Participating Mortgage Separate Account, an open-end fund, had invested $1.019 billion and received, but not invested $17 million for 267 participants. The fund uses a participating mortgage structure to provide a combination of fixed return and participation in cash flow and gains from property sales. Investments are in either existing, well-leased properties or to-be-built buildings through forward commitments, and are well diversified.

The Union Single Family Separate Account is a new open-end commingled fund, which has not yet received assets or commitments, for investments in residential mortgages on newly-constructed one- to four-family, union-built residential properties. The account will target investments in specific regions, based on the client's preference or locale and in communities with strong, diverse economies.

The Industrial Development Fund is a new closed-end commingled fund focusing on industrial properties. Property holdings will be structured on a joint venture basis or wholly owned.

Aetna Life and Casualty Co.'s real estate subsidiary is Aetna Realty Investors Inc.

Alan M. Connor, senior vice president, Aetna Realty Investors, is in charge of making equity real estate investments. Raymond E. Smith, senior vice president, Aetna Realty Investors, is responsible for mortgage financing. John E. Arant III, vice president-pension and financial services, is client contact.

Aldrich, Eastman & Waltch

265 Franklin St., Boston, Mass. 02110;
(617) 439-9000

Tax-exempt real estate assets	$3,490,000,000
Equity	$655,000,000
Hybrid debt	$2,295,000,000
Mortgages	$540,000,000
Direct, separate accounts	
Equity	$655,000,000
Hybrid debt	$2,295,000,000
Mortgages	$540,000,000
Total real estate assets	$3,660,000,000
Equity	$770,000,000
Hybrid debt	$2,350,000,000
Mortgages	$540,000,000

As of June 30, Aldrich, Eastman & Waltch had $3.49 billion in U.S. institutional tax-exempt real estate assets, of which $1.7 billion is fully discretionary.

The tax-exempt equity assets had a market value of $655 million as of June 30; the hybrid debt holdings, $2.295 billion; the mortgages, $540 million.

Of the tax-exempt assets, 83% was invested in existing properties and 17% in developmental properties.

The property mix for tax-exempt assets was 1% hotel/resort; 14% industrial; 7% multifamily housing; 32% office/commercial; 33% retail. The balance of the assets was invested in development companies through debt instruments.

The tax-exempt property portfolio is located 30%, West; 16%, Midwest; 40%, East; and 14%, South.

The firm offers closed-end commingled funds, separate accounts and specialized investment funds, including seven closed-end funds in conjunction with State Street Bank & Trust, with a current net asset value of $560 million.

AEW-State Street Real Estate Funds I-VI are now closed. The AEW-State Street Real Estate Fund VII, a group trust, is open and will invest in office, retail, industrial and multifamily residential properties. Investments will be made through senior, junior or wraparound mortgages; convertible mortgages; joint ventures; and equity ownership. No capital will be received or invested until the fund is closed.

Tax-exempt clients include Digital Equipment Corp., GM, Connecticut and Iowa.

Robert J. Hannan, vice president, is client contact.

ASB Capital Management

655 15th St., N.W., Washington, D.C.
20005; (202) 383-6300

Tax-exempt real estate assets	$521,000,000
Equity	$329,000,000
Hybrid debt	$192,000,000
Commingled or pooled funds	
Equity	$43,000,000
Hybrid debt	$5,000,000
Direct, separate accounts	
Equity	$286,000,000
Hybrid debt	$187,000,000
Total real estate assets	$521,000,000

As of June 30, ASB Capital Management Inc. had $521 million in U.S. institutional tax-exempt real estate assets, of which $48 million was in fully discretionary accounts.

The tax-exempt equity assets had a market value of $185 million as of June 30. Contributions received but not invested were $126 million; contributions committed but not received were $18 million.

The hybrid debt holdings had a market value of $85 million. Contributions received but not invested were $106 million.

Of the assets, 63.3% was invested in existing properties and 36.7% in developmental properties.

The property mix was 3.3% hotel/re-

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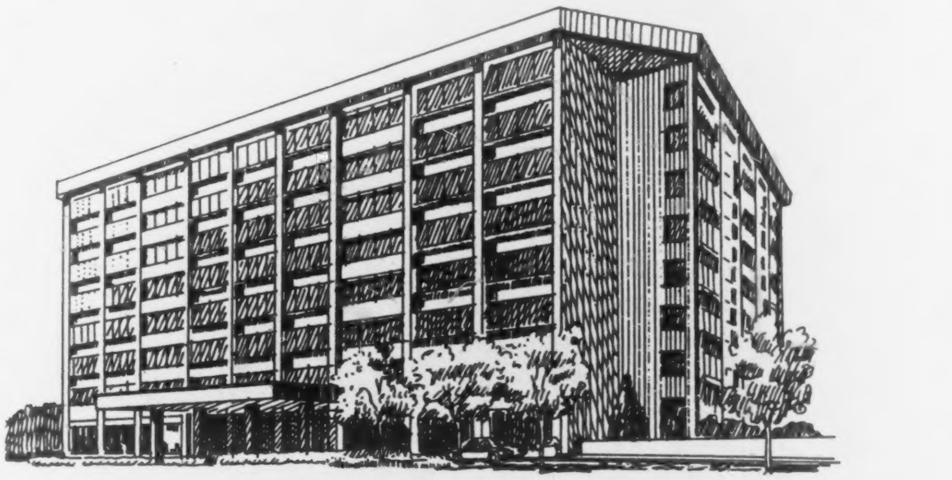
$38,310,000

Sale of a 100% Interest

Courthouse Centre

A Suburban Office Building



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Sentinel

Sentinel Fund III, a trust for a state retirement system, has acquired:

CULPEPER FARMS APARTMENTS

Richmond, Virginia

$10,750,000

Sentinel Real Estate Corporation
1290 Avenue of the Americas
New York, NY 10104
(212) 408-2900

sort; 9.9% industrial; 3.3% multifamily housing; 73.5% office/commercial; 3.3% retail; and 6.7% other.

The property portfolio is located 30% in the West; 20%, Midwest; 43.4%, East; and 6.6%, South.

Of the four regions, the primary emphasis will be on buying in the Midwest and East. The firm also expects to emphasize buying warehouse distribution properties.

Its main area of concentration during the year will be acquisitions.

The firm offers separate account management and open-end funds.

The Employee Benefit Real Estate Fund is an open-end fund that has received and invested $10 million; has received but not invested $20 million; and has contributions committed but not received of $18 million. There are 15 participants in the fund, which is a group trust investing solely in developmental joint ventures.

Tax-exempt clients include the IBEW, Electrical Workers Local 26 and Ironworkers Local 5.

The parent is MNC Financial Inc.

Paul R. Lowman, vice president-director of real estate, is in charge of making property investments. Philip St. G. Cocke, vice president-director of marketing, is client contact.

The Balcor Co.

4849 Golf Road, Skokie, Ill. 60077;
(312) 677-2900

Tax-exempt real estate assets	$1,892,000,000
Equity	$332,000,000
Hybrid debt	$1,515,000,000
Mortgages	$45,000,000
Commingled or pooled funds	
Equity	$332,000,000
Hybrid debt	$1,515,000,000
Direct, separate accounts	
Mortgages	$45,000,000
Total real estate assets	$4,900,000,000
Equity	$3,140,000,000
Hybrid debt	$1,515,000,000
Mortgages	$245,000,000

As of June 30, The Balcor Co. had $1.892 billion in U.S. institutional tax-exempt real estate assets. None was fully discretionary.

The tax-exempt equity assets had a market value of $332 million; the mortgages, $45 million.

The hybrid debt holdings had a market value of $1.435 billion. Contributions received but not invested were $79 million.

Of the total assets under management, $44 million was for non-U.S. clients.

Of the tax-exempt assets, 100% was invested in existing properties.

The property mix for tax-exempt assets was 1.4% hotel/resort; 5% industrial; 36.2% multifamily; 38% office/commercial; 12.6% retail; and 6.8% mobile home parks.

The tax-exempt property portfolio is located 16.2% in the West; 28.7%, Midwest; 21.3%, East; and 33.8%, South.

Its main area of concentration during the year will be rehabilitation/asset management of existing properties.

The firm offers separate account management. Its 14 commingled funds all are closed.

Tax-exempt investment clients include Connecticut and Michigan Municipal Employees.

Balcor's subsidiaries are Balcor Institutional Realty Advisors, Balcor Development Co., Balcor Corporate Development Services and Balcor Investment Group.

Thomas E. Meador, executive vice president, is in charge of making property investments. John K. Powell Jr., first vice president, is client contact.

Birtcher Realty Advisors

27611 La Paz Road, Laguna Niguel,
Calif. 92656; (714) 643-7525

Tax-exempt real estate assets	$541,000,000
Equity	$541,000,000
Commingled or pooled funds	
Equity	$41,000,000
Direct, separate accounts	
Equity	$500,000,000
Total real estate assets	$541,000,000

As of June 30, Birtcher Realty Advisors had $541 million in fully discretionary U.S. institutional tax-exempt real estate assets, all in equity real estate.

The assets had a market value of $508 million; contributions received but not invested were $12 million; contributions committed but not received were $21 million.

Of the total assets under management, $65 million was for Japanese clients.

Of the tax-exempt assets, 55% was invested in existing properties and 45% in developmental properties.

The property mix for tax-exempt assets was 5% hotel/resort; 45% industrial; 20% office/commercial; 21% retail; and 9% residential.

The tax-exempt property portfolio is located 64% in the West; 10%, Midwest; 7%, East; and 19%, South.

Birtcher Realty expects to spend $10 million to $15 million for tax-exempt clients on rehabilitation, renovation, expansion or modernization of existing properties in 1989.

Its main area of concentration during the year will be acquisitions.

The firm offers a closed-end invest-

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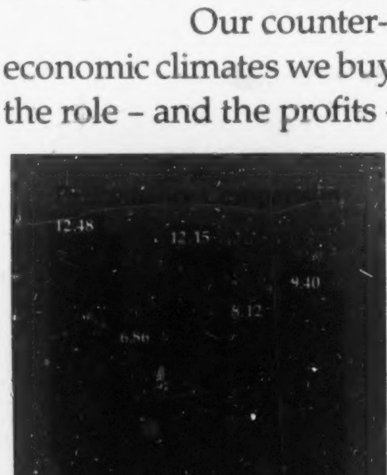

*Gross of management fees

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ment fund series, separate account management, multisponsor co-investment programs and investment management services for underperforming assets.

Smith Barney Birtcher Realty Advisors is the general partner of the commingled fund series, relying on Birtcher Realty for real estate fund management. The Smith Barney Birtcher Institutional Fund II is open for subscriptions. No contributions were received as of June 30. The fund will acquire existing income-producing industrial, retail and office properties, with a cost of between $5 million and $30 million. The properties will be located in prime suburban locations across the United States.

Albert S. Nagy, chief investment officer, is in charge of making property investments. Stanley L. Iezman, chief operating officer, and Ralph E. Heckert, executive vice president, are client contacts.

The Boston Co. Real Estate Counsel Inc.

1 Boston Place, Boston, Mass. 02108;
(617) 722-7190

Tax-exempt real estate assets	$2,494,000,000
Equity	$843,000,000
Hybrid debt	$1,651,000,000
Commingled or pooled funds	
Equity	$79,000,000
Hybrid debt	$59,000,000
Direct, separate accounts	
Equity	$764,000,000
Hybrid debt	$1,592,000,000
Total real estate assets	$2,494,000,000

As of June 30, The Boston Co. Real Estate Investment Counsel, Inc. had $2.494 billion in U.S. institutional tax-exempt real estate assets, of which $2.123 billion was fully discretionary.

The tax-exempt equity assets had a market value of $826 million. Contributions committed but not received were $17 million. The hybrid debt holdings had a market value of $1.651 billion.

Of the tax-exempt assets, 89% was invested in existing properties and 11% in developmental properties.

The property mix was 9.9% industrial; 6.6% multifamily housing; 57.7% office/commercial; 21.7% retail; 4.1% R&D/warehouse.

The property portfolio is located 25.8% in the West; 18.1%, Midwest; 37.2%, East; 18.9%, South.

The Boston Co. expects to spend $10 million for tax-exempt clients on rehabilitation, renovation, expansion or modernization of existing properties in 1989.

Its main area of concentration during the year will be acquisitions.

The firm offers separate accounts and closed-end funds.

The Boston Co. Real Estate Counsel Group Trust Residential Fund II will close Oct. 31. Fund II has received $100 million in contributions from five participants and one co-investor. The fund, a group trust, invests in newly constructed apartment complexes in growth areas.

Clients include AT&T, GM, United Technologies and Texas Teachers.

The parent is The Boston Co. Inc.

Mark A. Albertson, senior vice president, director-acquisitions, is in charge of making property investments. Thomas N. Trkla, vice president, is client contact.

Alex. Brown Realty Advisors

2 N. Charles St., Suite 850, Baltimore,
Md. 21201; (301) 783-3200

Tax-exempt real estate assets	$1,162,000,000
Equity	$437,000,000
Hybrid debt	$695,000,000
Mortgages	$30,000,000
Commingled or pooled funds	
Equity	$10,000,000
Direct, separate accounts	
Equity	$427,000,000
Hybrid debt	$695,000,000
Mortgages	$30,000,000
Total real estate assets	$1,184,000,000
Equity	$459,000,000
Hybrid debt	$695,000,000
Mortgages	$30,000,000

As of June 30, Alex. Brown Realty Advisors Inc. had $1.162 billion in U.S. tax-exempt real estate assets, of which

The tax-exempt equity assets had a market value of $375 million as of June 30. Contributions received but not invested were $52 million; contributions committed but not received were $10 million.

The hybrid debt holdings had a market value of $695 million; mortgages, $30 million.

Of the tax-exempt assets, 72% was invested in existing properties and 28% in developmental properties.

The property mix for tax-exempt assets was 12% hotel/resort; 6% industrial; 8% multifamily housing; 52% office/commercial; 21% retail; and 1% health care.

The tax-exempt property portfolio is located 28% in the West; 18%, Midwest; 44%, East; 9%, South; and 1%, Canada.

Alex. Brown Realty Advisors expects to spend $5 million for tax-exempt clients on rehabilitation, renovation, expansion or modernization of existing properties in 1989.

Its main area of concentration during the year will be on acquisitions.

The firm offers closed-end commingled funds; direct, separate accounts; and a private placement fund.

The Atlantic Coast Real Estate Funds I and II are limited partnerships currently open for subscriptions. As of June 30, Fund I had a commitment of $10 million from one client while Fund II had no commitments. Both will invest in institutional-quality, income-producing, light industrial warehousing/distribution facilities, flex space, neighborhood retail centers and office properties in metropolitan markets in the New England and mid-Atlantic statos.

Clients include the Oregon Employes, Texas Teachers, and Montgomery County.

The firm is a joint partnership with Alex. Brown & Sons.

Robert H. Gidel and Philip C. Iglehart, managing directors, are in charge of making property investments. Mahlon Apgar IV, director, is client contact.

Cabot, Cabot & Forbes Realty Advisors Inc.

60 State St., Boston, Mass. 02109;
(617) 722-8200

Tax-exempt real estate assets	$850,000,000
Equity	$850,000,000
Direct, separate accounts	
Equity	$850,000,000
Total real estate assets	$850,000,000

As of June 30, Cabot, Cabot & Forbes Realty Advisors Inc. had $850 million in U.S. institutional tax-exempt real estate assets, all in equity real estate.

The assets had a market value of $150 million; contributions committed but not received were $700 million.

All assets were invested in existing properties. The property is 70% industrial and 30% office/commercial, and is located 24% in the West; 20%, Midwest; and 56%, East.

The firm expects to spend $12 million on rehabilitation, renovation, expansion or modernization of existing properties in 1989.

Its main area of concentration during the year will be acquisitions.

The firm offers separate account management.

Clients include Shell, BellSouth, IBM and Ford.

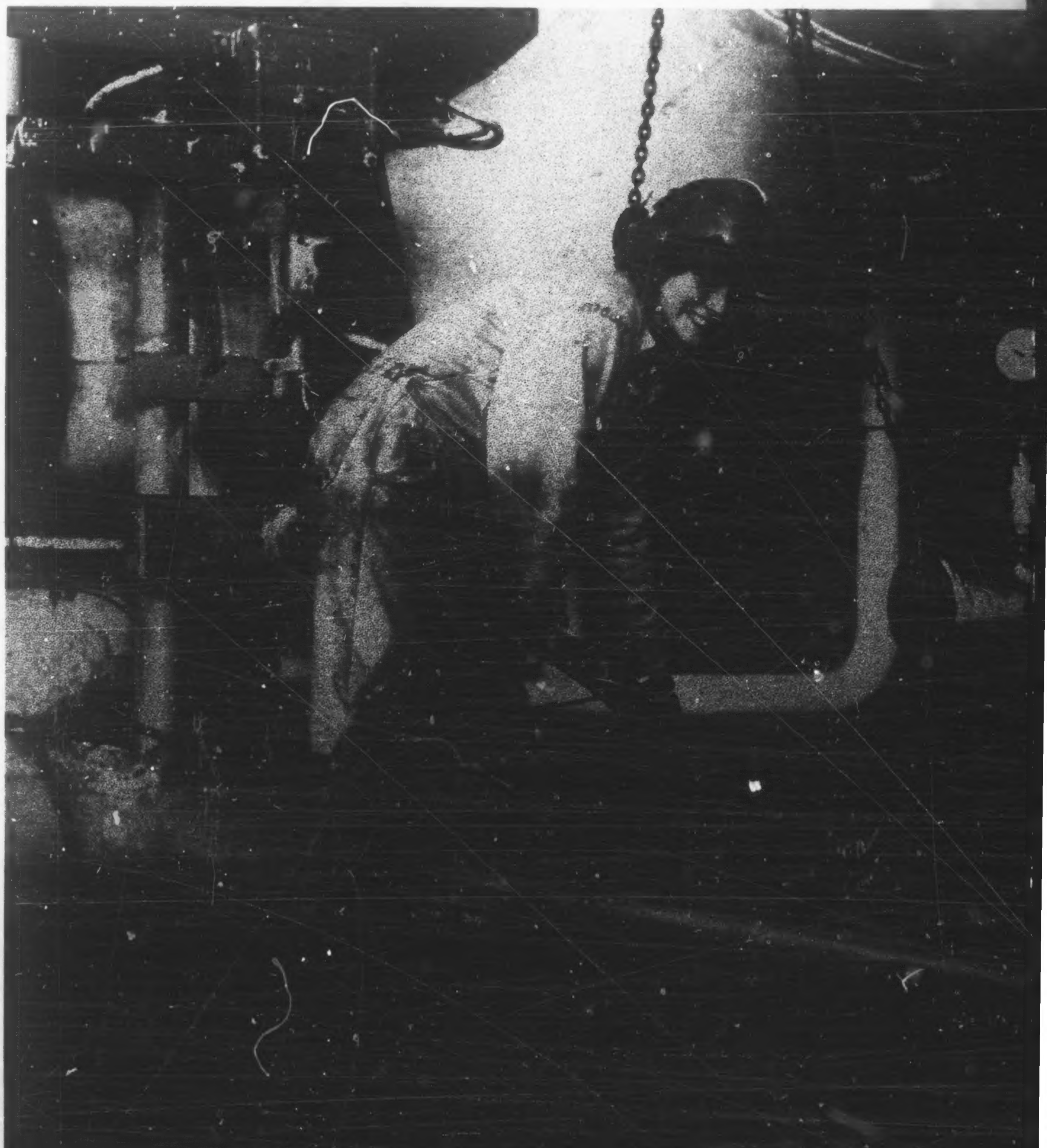
Its real estate affiliate is Aberthaw Construction Co.

Robert E. Patterson, executive vice president, is in charge of making property investments. Robert M. Angland, executive vice president, is client contact.

CIGNA Investments Inc.

Hartford, Conn. 06152; (203)
726-6241

Tax-exempt real estate assets	$2,089,000,000
Equity	$1,632,000,000
Hybrid debt	$416,000,000
Mortgages	$41,000,000
Commingled or pooled funds	
Equity	$1,423,000,000
Hybrid debt	$45,000,000
Mortgages	$41,000,000
Direct, separate accounts	



Equity	$209,000,000
Hybrid debt	$371,000,000
Total real estate assets	[illegible]
Equity	[illegible]
Hybrid debt	[illegible]
Mortgages	[illegible]

As of June 30, CIGNA Investments Inc. had $2.089 billion in U.S. institutional tax-exempt real estate assets, of which $1.074 billion was fully discretionary.

The tax-exempt equity assets had a market value of $1.557 billion as of June 30. Contributions committed but not received were $75 million.

The hybrid debt holdings had a market value of $102 million. Contributions committed but not received were $314 million. The market value of the mortgages was $41 million.

Of tax-exempt general account assets, $423 million was invested in equity real estate, $1.315 billion in hybrid debt, and $9.149 billion in mortgages.

Of the tax-exempt assets, 81% was invested in existing properties and 19% in developmental properties.

The property mix for tax-exempt assets was 6% hotel/resort; 21% industrial; 8% multifamily housing; 17% office commercial; 37% retail; 9% mixed-use properties; 2% land.

The tax-exempt property portfolio is located 19% in the West; 24%, Midwest; 15%, East; and 42%, South.

Of the four regions, the primary emphasis will be on buying in the West and East. The firm also expects to buy retail and industrial properties.

Its main area of concentration during the year will be rehabilitation asset management of existing properties.

The firm offers open and closed-end funds, direct separate accounts and single asset investments.

Separate Account R is an open-end fund, with $768 million in contributions received and invested from 418 participants. Investments are made in existing and to-be-built, moderate-size properties, typically in suburban locations, diversified geographically. Offices, shopping centers, industrial properties, hotels and apartments are bought. Financial structures include pure equity, construction loans convertible to equity and joint ventures. Leverage may be used in taking over an existing mortgage, but no more than 30% of assets may be leveraged.

CERF III is a single asset real estate fund open for contributions, investing in Worcester Center, a mixed-use complex. The center will be expanded and upgraded, with retailing as the major component. Contributions received and invested were $72 million; contributions committed but not received were $2 million.

CERF IV is a single asset closed-end fund open for contributions, investing in Ridgedale Center, a regional mall. Contributions received and invested were $117 million.

CERF V is a single-asset fund open for contributions, investing in Southland Center, a regional mall. The joint venture partnership will upgrade the property and reconfigure the current tenant mix. Contributions received and invested were $79 million.

Tax-exempt clients include the United Methodist Church, United Technologies, Unisys and Grumman.

The parent is CIGNA Corp.

David R. Johnson, senior vice president, is in charge of making property investments. William E. Chapman II is client contact.

Citicorp Real Estate Investment Management

599 Lexington Ave., New York, N.Y.
10043; (212) 559-9332

Tax-exempt real estate assets	$634,000,000
Equity	$483,000,000
Mortgages	$146,000,000
Commingled or pooled funds	
Equity	$270,000,000
Mortgages	$98,000,000
Direct, separate accounts	
Equity	$218,000,000
Mortgages	$48,000,000
Total real estate assets	$890,000,000
Equity	$743,000,000
Mortgages	$147,000,000

Top 10 equity real estate managers*

Firm	$ millions
Equitable Real Estate	9,786
JMB Institutional Realty	8,638
Copley Real Estate Advisors	7,818
Heitman Advisory	5,596
Prudential Real Estate	5,086
Aetna Life & Casualty	4,070
RREEF Funds	3,701
LaSalle Advisors	3,616
GE Investments	3,030
Yarmouth Group	2,820
Total	**54,161**

* Rankings based on tax-exempt assets

As of June 30, Citicorp Real Estate Investment Management had $634 million in U.S. institutional tax-exempt real estate assets, of which $441 million was in fully discretionary accounts.

The tax-exempt equity assets had a market value of $454 million as of June 30. Contributions received but not invested were $34 million. The market value of the mortgages was $147 million.

Of the total assets under management, $256 million was for non-U.S. clients; of which $46 million was for Japanese clients and $34 million was for non-U.S. pension funds.

All the tax-exempt assets were in existing properties.

The property mix for tax-exempt assets was 10.5% hotel/resort; 8.3% industrial; 61.7% office/commercial; 18.8% retail; and 0.7% land.

The tax-exempt property portfolio is located 38.3% in the West; 8.8%, Midwest; 34.3%, East; and 18.6%, South.

Of the four regions, the primary emphasis will be on buying in the East. The firm also expects to emphasize buying retail properties.

Its main area of concentration during the next year will be acquisitions.

The firm offers open-end funds and separate accounts.

The Citibank Real Estate Equity Fund has $293.2 million invested for 13 clients. The fund's strategy is to make equity investments in properties that can be significantly increased in value by releasing and/or redevelopment. Properties are held for five to seven years. Joint ventures may be used.

The parent company is Citibank.

Michael Vitale, vice president, is in charge of making property investments. H. Piper Andrews Jr., vice president, is client contact.

Coldwell Banker Commercial Realty Advisors

533 Fremont Ave., Los Angeles, Calif.
90071-1798; (213) 613-3123

Tax-exempt real estate assets	$1,005,000,000
Equity	$965,000,000
Hybrid debt	$40,000,000
Commingled or pooled funds	
Equity	$545,000,000
Hybrid debt	$40,000,000
Direct, separate accounts	
Equity	$420,000,000
Total real estate assets	$1,087,000,000
Equity	$1,047,000,000
Hybrid debt	$40,000,000

As of June 30, Coldwell Banker Commercial Realty Advisors had $1.005 billion in U.S. institutional tax-exempt real estate assets, of which $583 million was in fully discretionary accounts.

The tax-exempt equity assets had a market value of $862 million as of June 30. Contributions committed but not received were $103 million.

The hybrid debt holdings had a market value of $40 million.

Of the tax-exempt assets, 65% was invested in existing properties and 35% in developmental properties.

The property mix for tax-exempt assets was 31% industrial; 5% multifamily; 37% office/commercial; 27% retail.

The tax-exempt property portfolio is located 37% in the West; 19%, Midwest; 24%, East; and 20%, South.

Coldwell Banker expects to spend $25 million for tax-exempt clients on rehabilitation, renovation, expansion or modernization of existing properties in 1989.

Its main area of concentration during

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222 S. Harbor Blvd., Suite 700, Anaheim, CA (714) 778-3073

the year will be asset management.

The firm offers closed-end commingled funds, direct investments and separate accounts.

Tax-exempt clients include AT&T, Unisys, Kodak and Alcoa.

The parent company is Coldwell Banker Commercial Group.

W. Cab Grayson, director of acquisitions, is in charge of making property investments. Fred Gilberd is client contact.

Copley Real Estate Advisors

399 Boylston St., Boston, Mass.
02116; (617) 578-1225

Tax-exempt real estate assets	$7,818,000,000
Equity	$7,818,000,000
Commingled or pooled funds	
Equity	$4,860,000,000
Direct, separate accounts	
Equity	$2,958,000,000
Total real estate assets	$14,135,000,000
Equity	$14,135,000,000

As of June 30, Copley Real Estate Advisors had $7.818 billion in U.S. institutional tax-exempt real estate assets, all in equity and none fully discretionary.

Those assets had a market value of $7.24 billion; contributions received but not invested were $81 million; contributions committed but not received were $497 million.

Of tax-exempt general account assets, $1.405 billion was invested in equity real estate.

Of the tax-exempt assets, 51% was invested in existing properties and 49% in developmental properties.

The property mix for tax-exempt assets was 1% hotel/resort; 41% industrial; 2% multifamily; 28% office/commercial; 6% retail; and 22% land.

The tax-exempt property portfolio is located 63% in the West; 3%, Midwest; 28%, East; and 6%, South.

Its main area of concentration during the year will be acquisitions.

The firm offers open and closed-end commingled funds and separate accounts.

Copley Developmental Properties Account is an open-end fund with 210 participants and $1.111 billion invested. A developmental approach is taken in selecting to-be-built properties, primarily industrial warehouse, research and development facilities, suburban office parks and multifamily properties. Investments are structured as partnerships with local real estate developers in selected markets. A contrarian philosophy is used in opportunistic developments, such as rehabilitation and corporate portfolio investments.

Copley Investors Limited Partnership, a closed-end fund, reopened for new subscriptions Sept. 30. The fund had originally received and invested $482 million from nine participants. The investment strategy for the fund is the same as that used for the open-end fund above.

The parent company is The New England.

Kevin M. Mahony, managing director-investments, is in charge of making property investments. John C. Phillips Jr., managing director-investor relations and marketing, is client contact.

Corporate Property Investors

305 E. 47th St., New York, N.Y.
10017; (212) 421-8200

Tax-exempt real estate assets	$2,669,000,000
Equity	$2,669,000,000
Commingled or pooled funds	
Equity	$2,669,000,000
Total real estate assets	$4,319,000,000
Equity	$4,319,000,000

As of June 30, Corporate Property Investors had $2.669 billion in U.S. institutional tax-exempt real estate assets, all in discretionary accounts.

The tax-exempt equity assets had a market value of $2.650 billion as of June 30.

Contributions received but not invested were $19 million.

Of the total assets under management, $1.65 billion was for non-U.S. clients and $157 million was for non-U.S. pension funds.

Of the tax-exempt assets, 99% was invested in existing properties and 1% in developmental properties.

The property mix for tax-exempt assets was 3% industrial; 12% office/commercial; and 85% retail.

The tax-exempt property portfolio is located 17% in the West; 7%, Midwest; 42%, East; and 34%, South.

Corporate Property Investors expects to spend more than $32 million for tax-exempt clients on rehabilitation, renovation, expansion or modernization of existing properties in 1989.

Its main area of concentration during the year will be on rehabilitation/asset management of existing properties.

The firm, a real estate investment trust, offers investment in its common shares.

Tax-exempt investment clients include Exxon, AT&T, the United Nations and Pennsylvania Employees'.

Hans C. Mautner, chairman, is in charge of making property investments.

William J. Lyons, assistant general counsel, is client contact.

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Eastdil Realty Inc.

40 W. 57th St., New York, N.Y. 10019;
(212) 315-7200

Tax-exempt real estate assets	$579,000,000
Equity	$522,000,000
Hybrid debt	$28,000,000
Mortgages	$29,000,000
Direct, separate accounts	
Equity	$522,000,000
Hybrid debt	$28,000,000
Mortgages	$29,000,000
Total real estate assets	$2,541,000,000
Equity	$1,547,000,000
Hybrid debt	$957,000,000
Mortgages	$37,000,000

As of June 30, Eastdil Realty Inc. had $579 million in U.S. institutional tax-exempt real estate assets, of which $495 million was in fully discretionary accounts.

The tax-exempt equity assets had a market value of $522 million as of June 30; the hybrid debt, $28 million; the mortgages, $29 million.

Of the total assets under management, $1.325 billion was for Japanese clients and $580 million was for non-U.S. pension funds.

All of the tax-exempt assets were invested in existing properties.

The property mix for tax-exempt assets was 0.3% hotel/resort; 11.8% industrial; 2.6% multifamily housing; 67.2% office/commercial; 17.8% retail; and 0.3% land.

The tax-exempt property portfolio is located 38.6% in the West; 11.1%, Midwest; 1.7%, East; and 48.6%, South.

Its main area of concentration during the next year will be acquisitions.

The firm offers separate account management to clients.

Jon Weller, vice president, is in charge of making property investments and is client contact.

Equitable Real Estate Investment Management

787 Seventh Ave., Area 46K, New
York, N.Y. 10019; (212) 554-4312

Tax-exempt real estate assets	$10,225,000,000
Equity	$9,786,000,000
Hybrid debt	$146,000,000
Mortgages	$293,000,000
Commingled or pooled funds	
Equity	$6,039,000,000
Hybrid debt	$125,000,000
Mortgages	$245,000,000
Direct, separate accounts	
Equity	$3,747,000,000
Hybrid debt	$21,000,000
Mortgages	$48,000,000
Total real estate assets	$34,725,000,000
Equity	$23,359,000,000
Hybrid debt	$1,645,000,000
Mortgages	$9,721,000,000

As of June 30, Equitable Real Estate Investment Management Inc. had $10.225 billion in U.S. institutional tax-exempt real estate assets, all fully discretionary.

The tax-exempt equity assets had a market value of $9.421 billion as of June 30. Contributions received but not invested were $141 million; contributions committed but not received were $224 million.

The hybrid debt holdings had a market value of $146 million; mortgages, $293 million.

Of tax-exempt general account assets, $3.251 billion was invested in equity real estate; $938 million in hybrid debt; and $4.149 billion in mortgages.

Of the total assets under management, $1.696 billion was for non-U.S. clients, including $1.369 billion for Japanese clients and $123 million in non-U.S. properties.

Of the tax-exempt assets, 97.8% was invested in existing properties and 2.2% in developmental properties.

The property mix for tax-exempt assets was 4.3% hotel/resort; 11.4% industrial; 47.2% office/commercial; 36.5% retail; and 0.6% land.

The tax-exempt property portfolio is located 29.7% in the West; 18.2%, Midwest; 32.3%, East; and 19.8%, South.

Equitable Real Estate expects to spend $101 million for tax-exempt clients on rehabilitation, renovation, expansion or modernization of existing properties in 1989.

The firm offers open and closed-end funds, single client accounts and direct investment options.

The Prime Property Fund, an open-end fund with 263 participants, had $3.6 billion in contributions received and invested; $138 million in contributions received but not invested; and $84 million in contributions committed. The fund invests in high-quality, income-producing property, with some subject to mortgage debt. Existing, fully leased properties are emphasized, although forward commitments are made through interim construction loans. The firm also participates in joint ventures that acquire and/or develop properties.

Tax-exempt clients include Sun Co., Colgate-Palmolive, James River Corp. and Virginia Supplemental. Japanese clients include Nippon Life, Dai-ichi Mutual Life, Asahi Life and Meiji Mutual Life.

The parent company is the Equitable Life Assurance Society of the United States.

Tommy Clinton, executive vice president, is in charge of making property investments. Paul J. Dolinoy, senior executive vice president, is client contact.

F.I.A. Associates Inc.

1601 Response Road, Suite 300,
Sacramento, Calif. 95815; (916)
920-4051

Tax-exempt real estate assets	$2,643,000,000
Equity	$1,418,000,000
Hybrid debt	$1,062,000,000
Mortgages	$163,000,000
Commingled or pooled funds	
Equity	$85,000,000
Hybrid debt	$16,000,000
Direct, separate accounts	
Equity	$1,333,000,000
Hybrid debt	$1,046,000,000
Mortgages	$163,000,000
Total real estate assets	$2,643,000,000

As of June 30, F.I.A. Associates Inc. had $2.643 billion in U.S. institutional tax-exempt real estate assets, of which $290 million was fully discretionary.

The tax-exempt equity assets had a market value of $1.284 billion as of June 30. Contributions committed but not received were $134 million.

The hybrid debt holdings had a market value of $689 million. Contributions committed but not received were $373 million. The market value of the mortgages was $163 million.

Of the tax-exempt assets, 98.5% was invested in existing properties and 1.5% in developmental properties.

The property mix for tax-exempt assets was 8% hotel/resort; 23% industrial; 4% multifamily; 45% office/commercial; 19% retail; and 1% land.

The tax-exempt property portfolio is located 46% in the West; 16%, Midwest; 8%, East; and 30%, South.

F.I.A. expects to spend $2 million for tax-exempt clients on rehabilitation, renovation, expansion or modernization of existing properties in 1989.

Its main area of concentration during the year will be rehabilitation/asset management of existing properties.

The firm offers separate accounts and closed-end funds.

Tax-exempt clients include California Employees, Texas Teachers, Illinois Teachers and Utah.

The parent company is MeraBank.

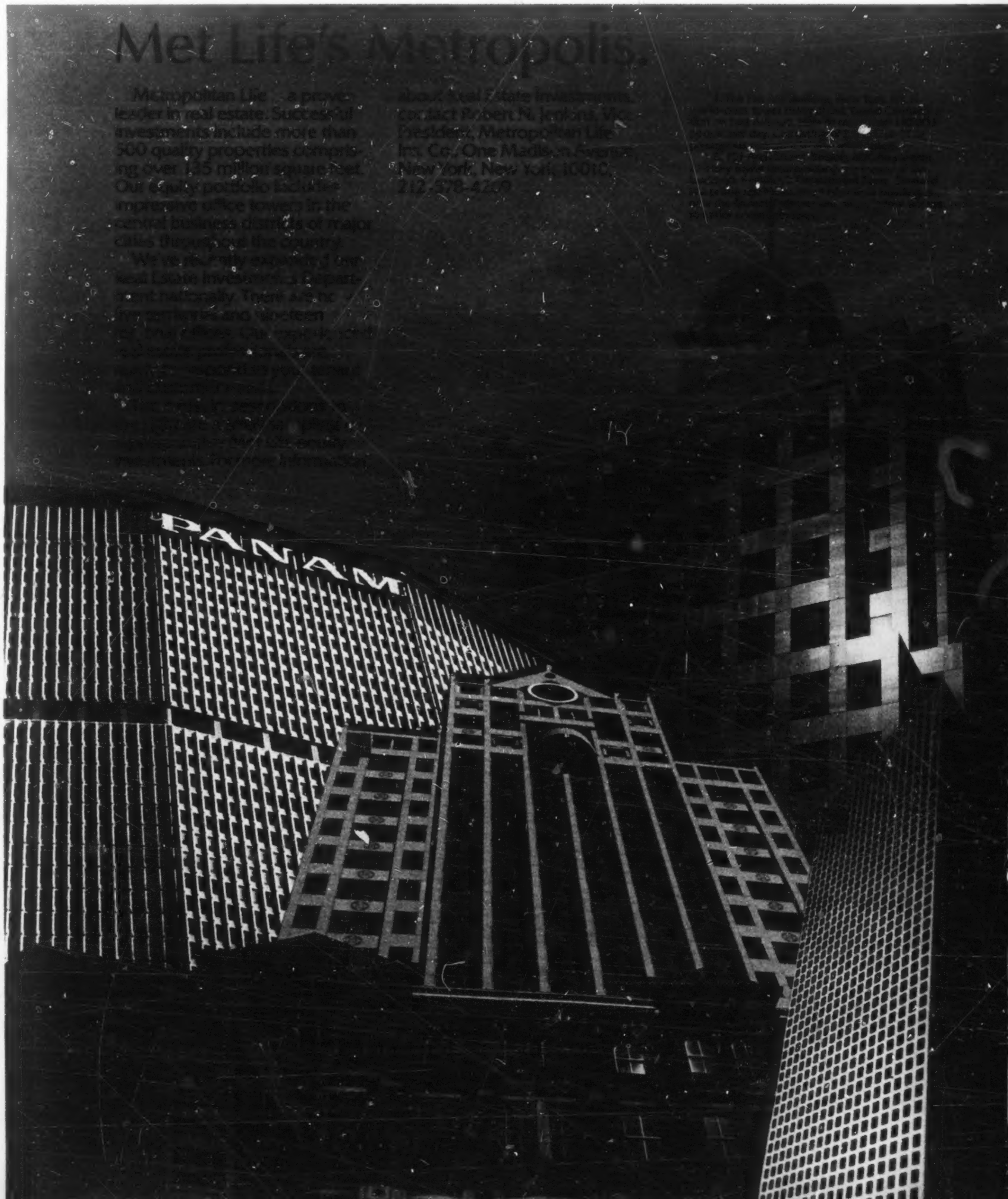
Stephen A. Rosenthal, executive vice president, is in charge of making property investments. Winston H. Hickox, executive vice president, is client contact.

First Chicago Investment Advisors

3 First National Plaza, Chicago, Ill.
60670; (312) 732-410

Tax-exempt real estate assets	$907,000,000
Equity	$880,000,000
Hybrid debt	$27,000,000
Commingled or pooled funds	
Equity	$748,000,000
Hybrid debt	$27,000,000
Direct, separate accounts	
Equity	$133,000,000
Total real estate assets	$940,000,000
Equity	$913,000,000
Hybrid debt	$27,000,000

As of June 30, First Chicago Investment Advisors had $907 million in U.S. institutional tax-exempt real estate



Met Life's Metropolis.

Metropolitan Life — a proven leader in real estate. Successful investments include more than 500 quality properties comprising over 135 million square feet. Our equity portfolio includes impressive office towers in the central business districts of major cities throughout the country.

We've recently expanded our Real Estate Investments Department nationally. [illegible]

[illegible] about Real Estate Investments, contact Robert N. Jenkins, Vice President, Metropolitan Life Ins. Co., One Madison Avenue, New York, New York 10010, 212-578-4209

[illegible]

assets, of which $841 million was in fully discretionary accounts. First Chicago works in conjunction with JMB Realty Corp. and JMB Institutional Realty Corp. in managing the real estate assets.

As of Oct. 1, First Chicago Investment Advisors became Brinson Partners Inc.

The tax-exempt equity assets had a market value of $853 million as of June 30. Contributions received but not invested were $21 million; contributions committed but not received were $6 million.

The hybrid debt holdings had a market value of $27 million.

Of the total assets under management, $33 million was for non-U.S. clients.

Of the tax-exempt assets, 97.4% was invested in existing properties and 2.6% in developmental properties.

The property mix was 17.1% industrial; 43.4% multifamily housing; 19.7% office/commercial; and 19.8% retail.

The tax-exempt property portfolio is located 28.6% in the W[illegible]; 17.7%, Midwest; 31.9%, East; and 21.8%, South.

Of the four regions, the primary emphasis will be on buying in the East. The firm also expects to emphasize buying retail properties.

First Chicago expects to spend $10 million for tax-exempt clients on rehabilitation, renovation, expansion or modernization of existing properties in 1989.

Its main area of concentration during the year will be on rehabilitation/asset management of existing properties.

The firm offers direct separate account management and open- and closed-end funds.

First Chicago's Fund F, a group trust, is open for contributions. The fund has received and invested $560 million and has received but not invested $8 million from 111 participants. The fund invests primarily in fully built and leased properties. It may invest in convertible mortgages. The property portfolio includes office, retail and multifamily properties, geographically diversified throughout the nation.

Edward C. Hamill, managing director, is client contact.

First Wachovia Corp.

301 N. Main St., Winston-Salem, N.C.
27150; (919) 770-5000

Tax-exempt real estate assets	$687,000,000
Equity	$687,000,000
Commingled or pooled funds	
Equity	$449,000,000
Direct, separate accounts	
Equity	$238,000,000
Total real estate assets	$708,000,000
Equity	$708,000,000

As of June 30, First Wachovia Corp. had $687 million in U.S. fully discretionary institutional tax-exempt real estate assets.

Those assets had a market value of $662 million; contributions received but not invested were $25 million.

Of the assets, 78% was invested in existing properties and 22% in developmental properties.

The property mix was 63% industrial; 15% office/commercial; and 22% land.

The tax-exempt property portfolio is located 47% in the West; 19%, Midwest; 18%, East; and 16%, South.

The firm expects to emphasize buying industrial properties.

Its main area of concentration will be on rehabilitation, renovation, expansion or modernization of existing properties, on which it will spend $40 million.

The firm offers an open-ended fund and separate accounts. The First Wachovia Real Estate Fund, an open-end fund, has received and invested $428 million and has received but not invested $21 million.- Investments are made in geographically diversified, multiuse business parks at various stages of completion. Space is typically warehouse, flex or R&D/office. Local agents are used to aid in development of the parks to match demand for space in the regional market.

Robert R. Smedley, senior vice president and manager-real estate investments, is in charge of making property investments. Thomas R. McAllister, senior vice president, is client contact.

Top 10 hybrid debt managers*

Firm	$ millions
Aldrich, Eastman & Waltch	2,295
Boston Co. Real Estate	1,651
Balcor	1,515
J.P. Morgan Investment	1,307
Aetna Life & Casualty	1,152
F.I.A. Associates	1,062
Lomas Advisors	741
Alex. Brown Realty Advisors	695
Latimer & Buck Real Estate	663
TCW Realty Advisors	606
Total	**11,687**

* Rankings based on tax-exempt assets

GE Investments

3003 Summer St., Stamford, Conn.
06905; (203) 326-2300

Tax-exempt real estate assets	$3,480,000,000
Equity	$3,030,000,000
Hybrid debt	$330,000,000
Mortgages	$120,000,000
Commingled or pooled funds	
Equity	$3,030,000,000
Hybrid debt	$330,000,000
Mortgages	$120,000,000
Total real estate assets	$3,480,000,000

As of June 30, GE Investments had $3.48 billion in fully discretionary U.S. institutional tax-exempt real estate assets, of which $23 million was invested in non-U.S. properties.

The tax-exempt equity assets had a market value of $2.697 billion; contributions received but not invested were $22 million; contributions committed but not received were $311 million.

The hybrid debt holdings had a market value of $330 million; mortgages, $120 million.

Of the assets, 92% were invested in existing properties and 8% in developmental properties.

The property mix was 13% hotel/resort; 4% industrial; 4% multifamily; 70% office/commercial; 4% retail; and 5% land.

The property portfolio is located 29% in the West; 13%, Midwest; 46%, East; 10%, South; and 2% foreign.

GE expects to spend $30 million for tax-exempt clients on rehabilitation, renovation, expansion or modernization of existing properties in 1989.

Its main area of concentration during the year will be acquisitions.

The firm offers closed-end limited partnerships.

Tax-exempt investment clients include Unisys, Ford, Eli Lilly and BATUS.

The parent company is General Electric Co.

Joel R. Wilson, senior vice president, is in charge of making property investments. Geoffrey R. Norman, executive vice president, is client contact.

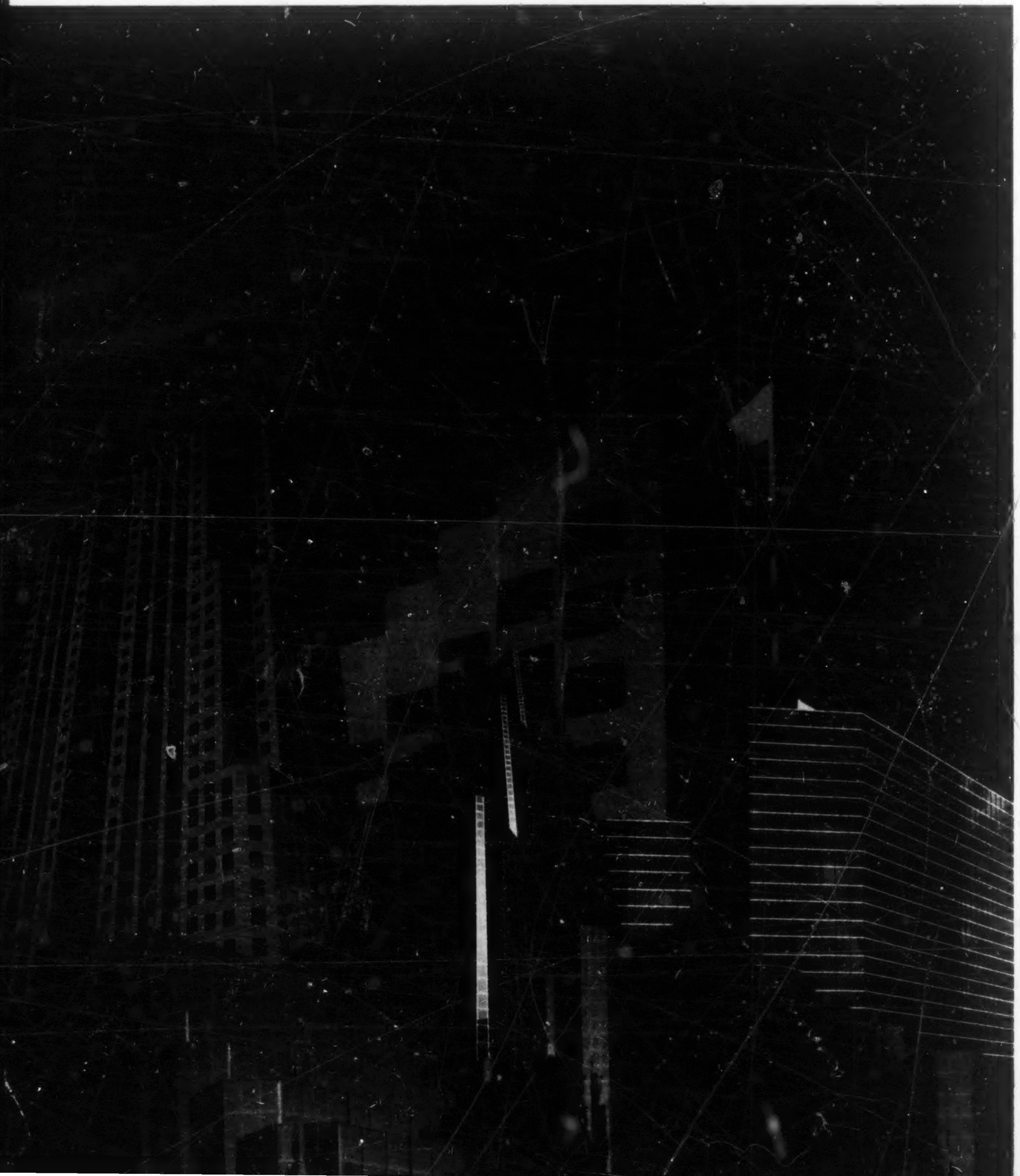
John Hancock Financial Services

P.O. Box 111, Boston, Mass. 02117;
(617) 572-4520

Tax-exempt real estate assets	$859,000,000
Equity	$843,000,000
Mortgages	$16,000,000
Commingled or pooled funds	
Equity	$369,000,000
Mortgages	$16,000,000
Direct, separate accounts	
Equity	$474,000,000
Total real estate assets	$13,992,000,000
Equity	$2,440,000,000
Mortgages	$11,552,000,000

As of June 30, John Hancock Financial Services had $859 million in U.S. institutional tax-exempt real estate assets, managed by two subsidiaries. The assets of the subsidiaries are included with those of the parent company, above.

John Hancock Timber Resource Group managed $530 million in U.S. institutional discretionary tax-exempt real estate assets on behalf of the par-



equity assets was $421 million; contributions received but not invested were $17 million; contributions committed but not received were $76 million. The market value of the mortgages was $16 million.

The assets are invested 100% in timberland. The land is located 54% in the West and 46% in the South.

John Hancock Timber Resource offers open and closed-end accounts, both pooled and non-pooled. The ACRE fund is open, with $39 million received and invested. ACRE invests in agriculture and timber equity properties and mortgages.

Clients include Hallmark, R.R. Donnelly, Detroit Police and Fire and Hoechst Celanese.

William Gordon, senior vice president, is in charge of property investments; Richard N. Smith, senior investment officer, is client contact.

John Hancock Properties Inc. managed $329 million, all in fully discretionary real estate equity for U.S. institutional tax-exempt clients.

Total real estate assets under management were $1.926 billion. Of total assets, $18 million was managed for Japanese clients and $32 million was invested in non-U.S. properties.

Tax-exempt general account assets were $449 million in real estate equity.

Tax-exempt assets were 100% invested in existing properties. The property mix for tax-exempt assets was 2.9% hotel/resort; 10.2% industrial; 40.2% residential; 33.4% office/commercial; 8% retail; and 5.3% other.

The tax-exempt property portfolio is located 34% in the West; 21%, Midwest; 23%, East; and 22%, South.

The firm offers open and closed-end funds and direct and separate accounts. The John Hancock Property Fund Equity Separate Account, a diversified open-end fund, has received and invested $26 million, and has $27 million in contributions received but not invested. The John Hancock West Limited Partnership Equity Joint Venture, an industrial closed-end fund, has $12 million committed but not received.

James H. Patterson II, executive vice president, is responsible for making property investments. Cathy M. Swain, vice president-portfolio management, is client contact.

Heitman Advisory Corp.

180 N. LaSalle, Chicago, Ill. 60601;
(312) 855-5700

Tax-exempt real estate assets	$5,596,000,000
Equity	$5,596,000,000
Commingled or pooled funds	
Equity	$1,109,000,000
Direct, separate accounts	
Equity	$4,487,000,000
Total real estate assets	$5,596,000,000

As of June 30, Heitman Advisory Corp. had $5.596 billion in U.S. institutional tax-exempt assets, all equity real estate, of which $3.96 billion was fully discretionary.

The assets had a market value of $4.435 billion as of June 30. Contributions received but not invested were $286 million; contributions committed but not received were $875 million.

Some $700 million was invested for non-U.S. pension funds.

All assets are invested in existing properties.

The property mix was 12.1% industrial; 50.7% office/commercial; 27.8% retail; and 9.4% limited use.

The properties are located 22.8% in the West; 40.2%, Midwest; 27%, East; and 10%, South.

Heitman offers closed-end funds and separate accounts on both an advisory and discretionary basis.

The Heitman Real Estate Fund V is a closed-end fund that just opened to subscriptions Oct. 1. The fund will acquire interests in a diversified portfolio of 10 to 15 regional shopping centers, industrial parks and office buildings. Property acquisition will primarily be on an equity, leveraged equity or joint venture basis. The maximum level of leverage for any individual property in the fund is 50%. The fund is expected to focus on properties valued between $10 million and more than $100 million.

Clients include AT&T, California Employees, Shell and Minnesota State Board of Investment.

The parent company is Heitman Financial Ltd. Its other real estate subsidiaries are Heitman Financial Services Ltd. and Heitman Properties Ltd.

David Glickman, president, is client contact.

JMB Institutional Realty

900 N. Michigan Ave., Suite 1800,
Chicago, Ill. 60611; (312) 915-1900

Tax-exempt real estate assets	$8,801,000,000
Equity	$8,638,000,000
Hybrid debt	$163,000,000
Commingled or pooled funds	
Equity	$8,105,000,000
Hybrid debt	$163,000,000
Direct, separate accounts	
Equity	$533,000,000
Total real estate assets	$9,031,000,000
Equity	$8,868,000,000
Hybrid debt	$163,000,000

As of June 30, JMB Institutional Realty Corp. had $8.801 billion in U.S. institutional tax-exempt real estate assets, of which $8.529 billion was in fully discretionary accounts and $4.289 billion was invested in non-U.S. properties.

The equity assets had a market value of $8.259 billion as of June 30. Contributions received but not invested were $62 million; contributions committed but not received were $317 million.

The hybrid debt holdings had a market value of $163 million.

Of the total assets under management, $230 million was for non-U.S. pension funds and $4.289 billion was invested in non-U.S. properties.

The firm's affiliate, JMB Realty Corp., holds an additional $12 billion for taxable investors, not included in the assets above.

Of the U.S. tax-exempt assets, 97% was invested in existing properties and 3% in developmental properties.

The property mix was 2% industrial; 4% multifamily housing; 23% office/commercial; 54% retail; and 17% mixed use.

The portfolio is located 22% in the West; 20%, Midwest; 37%, East; and 21%, South.

Of the four regions, the primary emphasis will be on buying in the West. The firm also expects to emphasize office properties.

JMB expects to spend $62 million for tax-exempt clients on rehabilitation, renovation, expansion or modernization of existing properties in 1989.

Its main area of concentration during the year will be acquisitions.

The firm offers closed-end commingled funds, separate accounts and direct accounts.

Four of JMB's commingled funds are still open for contributions. The JMB Group Trust V, which will close in December, has 31 participants and has received but not invested $57 million and has commitments not received of $176 million. The trust will make primarily equity investments in fully constructed and leased office, retail and industrial properties, typically in the range of $25 million to $75 million. Investment forms will be either 100% ownership or joint ventures where JMB retains adequate control over operations and sale.

The JMB Endowment and Foundation Realty Ltd. — JMB IV fund also will close in December. It has 25 participants and $16 million in contributions received and invested; $5 million in contributions received but not invested; and $67 million in contributions committed but not received. The fund will make primarily equity investments in office, retail and industrial properties that are typically less than 20 years old. Most properties purchased will require a cash investment of $10 million to $25 million.

The JMB Institutional Apartment Partnership II will close in December and has commitments not received of $75 million from three participants. The fund will make equity-oriented investments in at least eight apartment properties throughout the nation, emphasizing garden apartments in suburban locations and high-rise buildings in urban locations. The size of the properties will range from 250 to 1,000 units with cash investments between $15 million and $40 million.

JMB Acquisition Partners L.P. had commitments not received of $500 million from 12 participants. The fund makes acquisitions of companies where real estate investments constitute a majority of assets.

JMB works in conjunction with First Chicago Investment Advisors, whose assets are not included above.

Tax-exempt clients include Pennsylvania State Employees, Ameritech, Kamehameha Schools/Bishop Estate and Connecticut.

Jerome J. Claeys III, chairman, is in charge of making property investments. John S. Lillard, president, is client contact.

Top 10 mortgage managers*

Firm	$ millions
McMorgan	1,100
Latimer & Buck Real Estate	637
Aldrich, Eastman & Waltch	540
L.J. Melody	421
Union Labor Life	414
Equitable Real Estate	293
Prudential Real Estate	239
Lomas Advisors	164
F.I.A. Associates	163
Citicorp Real Estate	146
Total	**4,117**

* Rankings based on tax-exempt assets

Jones Lang Wootton Realty Advisors

101 E. 52nd St., New York, N.Y.
10022; (212) 688-8181

Tax-exempt real estate assets	$2,000,000,000
Equity	$1,500,000,000
Hybrid debt	$500,000,000
Direct, separate accounts	
Equity	$1,500,000,000
Hybrid debt	$500,000,000
Total real estate assets	$2,000,000,000

As of June 30, Jones Lang Wootton Realty Advisors had $2 billion in U.S. institutional real estate assets, all tax-exempt, of which $1 billion fully discretionary.

The equity real estate had a market value of $1 billion; contributions committed but not received were $500 million. The hybrid debt holdings had a market value of $500 million.

Of the assets, 80% was invested in existing properties and 20% in developmental properties.

The property mix was 15% hotel/resort; 10% industrial; 10% multifamily; 35% office/commercial; 15% retail; and 15% mixed use.

The property portfolio is located 25% in the West; 10%, Midwest; 50%, East; and 15%, South.

Its main area of concentration during the year will be on rehabilitation/asset management of existing properties; it plans to spend $250 million on rehabilitation, renovation expansion and modernization of existing properties in 1989.

The firm offers separate account management.

Clients include Pacific Telesis, U S WEST, Pennsylvania Schools and the Wisconsin Investment Board.

Stephen J. Furnary, Charles Grossman, Frank L. Sullivan Jr. and John A. Weisz, managing directors, are in charge of making property investments. Mr. Weisz is client contact.

Karsten Realty Advisors

12121 Wilshire Blvd., Suite 900, Los
Angeles, Calif. 90025; (213)
826-0035

Tax-exempt real estate assets	$718,000,000
Equity	$591,000,000
Hybrid debt	$23,000,000
Mortgages	$104,000,000
Commingled or pooled funds	
Equity	$53,000,000
Hybrid debt	$7,000,000
Direct, separate accounts	
Equity	$538,000,000
Hybrid debt	$16,000,000
Mortgages	$104,000,000
Total real estate assets	$718,000,000

As of June 30, Karsten Realty Advisors had $718 million in U.S. institutional tax-exempt real estate assets, of which $488 million fully discretionary.

The equity assets had a market value of $544 million; contributions committed but not received were $47 million.

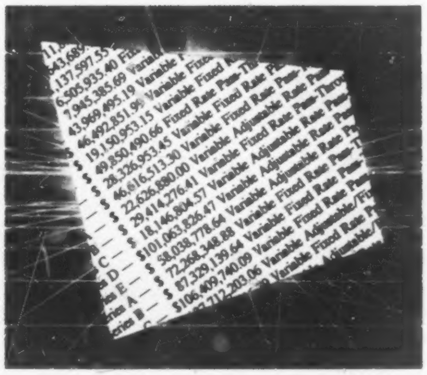
The hybrid debt holdings had a market value of $23 million; the mortgages, $104 million.

All of the assets were invested in existing properties.

The property mix was 11.9% hotel/resort; 9.3% industrial; 49.7% office/commercial; 11.3% retail; and 17.8% land.

The property portfolio is located 66.5% in the West; 3.7%, Midwest; 4.4%, East; and 25.4%, South.

FP&S: Filling the void in the asset-backed securities market.



FP&S and the mortgage market
FP&S, a leading financial intermediary, bridges originating institutions with public and private investors by issuing products and services in the areas of mortgages and asset-backed securities.

FP&S and the defeasance market
Our ability to allocate resources for production is well illustrated in the specialized defeasance market. For example — We work with issuers of mortgage-backed bonds to liquidate underlying collateral. Liquidation proceeds are then used to purchase a portfolio of U.S. Treasuries to replace the cash-flow of original mortgage loan collateral thereby:

- reducing "overweight" collateral levels,
- releasing non-mortgage trust assets, and . . .
- improving administrative and accounting reporting requirements.

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Our fully automated master servicing function is the key to serving investors over the long term. FP&S ensures that investors' interests are always protected while constantly monitoring performance of the underlying assets. Clients are provided with a comprehensive monthly service that:

- adds value to the mortgage portfolio,
- provides customized reporting, and . . .
- assumes the responsibility of the day-to-day dealings with lenders, sub-servicers, trustees and intermediary deposit institutions.

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Financial Products & Services, Inc.
FP&S

Financial Products & Services, Inc., a subsidiary of the OCWEN Financial Corporation, 260 Franklin Street, Boston, MA 02110 • (617) 439-4448

on rehabilitation, renovation, expansion or modernization of existing properties in 1989.

Its main area of concentration during the year will be acquisitions.

The firm offers separate account management and closed-end funds.

The Karsten Realty Fund II is a closed-end fund, expected to close Nov. 30. It has commitments from three participants for $30 million. The fund plans to raise $100 million to acquire existing light industrial and retail properties — generally in the range of $5 million to $20 million each — in seven primary U.S. markets in the West and Southwest. Deal structures primarily will be 100% equity investments. Convertible mortgages may, however, comprise 25% of the portfolio. The fund will not invest in joint ventures.

Clients include Nevada Employees, Ohio Teachers, AT&T and the Screen Actors Guild.

Robert A. Feren, principal, is in charge of making property investments. Carl A. Mayer Jr., principal, is client contact.

Kennedy Associates Real Estate Counsel Inc.

2400 Financial Center, Seattle, Wash.
98161; (206) 623-4739

Tax-exempt real estate assets	$940,000,000
Equity	$621,000,000
Hybrid debt	$295,000,000
Mortgages	$24,000,000
Commingled or pooled funds	
Equity	$432,000,000
Hybrid debt	$168,000,000
Direct, separate accounts	
Equity	$189,000,000
Hybrid debt	$127,000,000
Mortgages	$24,000,000
Total real estate assets	$940,000,000

As of June 30, Kennedy Associates Real Estate Counsel Inc. had $940 million in U.S. institutional tax-exempt real estate assets, of which $214 million was fully discretionary.

Of the assets, 94% was invested in existing properties and 6% in developmental properties.

The property mix was 1% hotel/resort; 13% industrial; 53% office/commercial; 3% retail and mixed use; and 30% business parks/flex space.

The property portfolio is located 38% in the West; 36%, Midwest; 21%, East, and 5%, South.

Its main area of concentration during the year will be acquisitions.

The firm offers separate account management, open-end funds and closed-end funds in the process of formation.

The Multi-Employer Property Trust is an open-end fund with total net assets of $600 million and 102 participants. The fund is 95% funded and committed, and 5% unallocated. The fund emphasizes equity ownership of a nationally diversified portfolio of high-quality, newly constructed, union-built properties. A forward commitment strategy is used, with negotiated contractual provisions to eliminate development risk and to control leasing risk.

Clients include Alaska Permanent Fund, International Brotherhood of Painters & Allied Trades and Alaska Laborers.

The parent is York Trust Ltd.

Jim C. Snyder, president, and R.L. Wieneke, senior vice president, are in charge of making property investments. Ronald D. Roberts is client contact for separate account management; M.J. Raunig is client contact for commingled accounts.

LaSalle Advisors Ltd.

11 S. LaSalle St., Chicago, Ill. 60603;
(312) 782-5800

Tax-exempt real estate assets	$3,616,000,000
Equity	$3,616,000,000
Commingled or pooled funds	
Equity	$1,984,000,000
Direct, separate accounts	
Equity	$1,632,000,000
Total real estate assets	$3,616,000,000

As of June 30, LaSalle Advisors Ltd. had $3.616 billion in U.S. institutional tax-exempt, all in equity real estate, of

value of $2.313 billion; contributions committed but not received were $1.303 billion.

Of the assets, 98% was invested in existing properties and 2% in developmental properties.

The property mix was 8% industrial; 74% office/commercial; and 18% retail.

The property portfolio is located 28% in the West; 29%, Midwest; 20%, East; and 23%, South.

Its main area of concentration during the year will be acquisitions.

The firm offers closed-end funds and separate account management.

LaSalle Fund IV is expected to close at year-end 1989, and has received commitments of $406 million from 32 participants. The fund has acquired two properties using an investment strategy that emphasizes the purchase on an equity basis of high-quality office buildings, shopping centers and industrial parks. Properties have the opportunity to add value through aggressive property management.

Clients include Illinois Municipal, Pacific Telesis, Bell Atlantic and Public Service Electric and Gas.

The parent is LaSalle Partners Ltd.

Steven A. Hulce and Daniel W. Cummings, managing directors, are in charge of making property investments. Kenneth M. Campia, president/managing director, is client contact.

Latimer & Buck Real Estate Advisors

121 S. Broad St., Philadelphia, Pa.
19107; (215) 985-3921

Tax-exempt real estate assets	$1,300,000,000
Hybrid debt	$663,000,000
Mortgages	$637,000,000
Direct, separate accounts	
Hybrid debt	$663,000,000
Mortgages	$637,000,000
Total real estate assets	$1,300,000,000

As of June 30, Latimer & Buck Real Estate Advisors had $1.3 billion in U.S. institutional tax-exempt real estate assets, of which $572 million was in fully discretionary accounts.

The hybrid debt holdings had a market value of $647 million; contributions committed but not received were $16 million. The market value of the mortgages was $634 million; contributions committed but not yet received were $3 million.

All of the assets were invested in existing properties.

The property mix was 3% hotel/resort; 8% industrial; 2% multifamily housing; 47% office/commercial; 5% retail; and 35% single-family residential.

The property portfolio is located 1% in the West; 10%, Midwest; 84%, East; and 5%, South.

Its main area of concentration during the year will be acquisitions.

The firm offers direct investment products.

Tax-exempt investment clients include Pennsylvania Schools and Pennsylvania Employes.

The parent is Fidelity Bank.

Richard Humphreys, vice president and director of acquisitions, is in charge of making property investments. Andrew Sheffler, vice president and director of marketing, is client contact.

Lehndorff & Babson Real Estate Counsel

2501 Cedar Springs, Suite 550,
Dallas, Texas 75201; (214)
855-5800

Tax-exempt real estate assets	$2,006,000,000
Equity	$2,006,000,000
Commingled or pooled funds	
Equity	$736,000,000
Direct, separate accounts	
Equity	$1,270,000,000
Total real estate assets	$3,428,000,000
Equity	$3,428,000,000

As of June 30, Lehndorff & Babson Real Estate Counsel had $2.006 billion in U.S. institutional tax-exempt real estate assets, of which $736 million was in fully discretionary accounts.

The tax-exempt equity assets had a market value of $1.413 billion as of were $570 million.

Of the total assets under management, $1.382 billion was for non-U.S. clients, including $444 million for Japanese clients and $136 million for non-U.S. pension funds.

All of the U.S. tax-exempt assets were invested in existing properties.

The property mix for U.S. tax-exempt assets was 3.1% industrial; 56.3% office/commercial; and 40.6% retail.

The property portfolio is located 11.8% in the West; 16.6%, Midwest; 61.2%, East; and 10.4%, South.

Of the four regions, the primary emphasis will be on buying in the West. The firm also expects to emphasize buying retail properties.

Lehndorff & Babson expects to spend $40 million for tax-exempt clients on rehabilitation, renovation, expansion or modernization of existing properties in 1989.

Its main area of concentration during the year will be acquisitions.

The firm offers closed-end funds and direct, separate accounts.

Lehndorff & Babson offers four closed-end commingled funds, one of which is still open for subscription. The Lehndorff & Babson Property Fund IV is expected to close in December. It has received capitalization of $27 million from four participants. Gross assets totaled $18 million; uninvested cash was $6.8 million; commitments not received totaled $8.5 million. The fund offers co-investment in scarce or unique properties that are completed and leased, with an opportunity to add value through active asset and property management.

The Council of Real Estate Group Trust is an open-end group trust with capitalization of $400 million from four participants. None of the commitment had been received as of June 30. The CORE fund follows the same strategy as Property Fund IV.

Tax-exempt clients include Ameritech, Stanford University, Southern California Food and Commercial Workers and Kansas Public Employees.

M. Thomas Lardner, chairman, is in charge of making property investment decisions. G. Andrews Smith, president, is client contact.

Lomas Advisors

2001 Bryan Tower, Suite 3300, Dallas,
Texas 75201; (214) 746-8207

Tax-exempt real estate assets	$905,000,000
Hybrid debt	$741,000,000
Mortgages	$164,000,000
Commingled or pooled funds	
Hybrid debt	$44,000,000
Direct, separate accounts	
Hybrid debt	$697,000,000
Mortgages	$164,000,000
Total real estate assets	$1,058,000,000
Hybrid debt	$894,000,000
Mortgages	$164,000,000

As of June 30, Lomas Advisors had $905 million in U.S. institutional tax-exempt real estate assets, of which $44 million was in fully discretionary accounts.

The hybrid debt holdings had a market value of $580 million; contributions committed but not received were $161 million. The market value of the mortgages was $164 million.

All of the tax-exempt assets were invested in existing properties.

The property mix for tax-exempt assets was 19% industrial; 15% multifamily housing; 59% office/commercial; and 7% retail.

The tax-exempt property portfolio is located 16% in the West; 13%, Midwest; 16%, East; and 55%, South.

Of the four regions, the primary emphasis will be on buying in the West. The firm also expects to emphasize buying apartment properties.

Lomas Advisors expects to spend $4.5 million for tax-exempt clients on rehabilitation, renovation, expansion or modernization of properties in 1989.

Its main area of concentration during the year will be acquisitions.

SUPERIOR TEAM

KRA's team of acquisition and asset management professionals is superior. Our expertise extends to the development of investment strategies, property and portfolio acquisitions, asset and portfolio management, and dispositions. Additionally, through our firm's seasoned real estate experts in our Los Angeles headquarters and Houston and Miami asset management offices, KRA has a proven track record in working with Special Management Opportunities. Our expertise and KRA's commitment and dedication to client servicing equate to maximum values and superior returns.

SUPERIOR RESULTS

Karsten Realty Advisors

A Tradition of Investment Success

Corporate Office
12121 Wilshire Boulevard, Suite 900
Los Angeles, California 90025
213/826-0035
213/207-2690 (FAX)

A. Redmond Doms, Jr. John M. Lundsten
Robert A. Feren Carl A. Mayer, Jr.

The firm offers core and specialty closed-end funds; direct, separate account management; and customized investment programs.

The Lomas Institutional Apartment Trust I, structured as a group trust, is open for subscriptions. The trust will make equity purchases of apartment properties in markets with a reasonable balance of supply and demand and a potential for increased rents and values. Properties will typically range from 150 to 350 units, with cash investments of between $10 million and $20 million. Properties generally will be less than 5 years old and substantially leased.

Tax-exempt investment clients include the Texas Teachers, Massachusetts, Stanford University and Warner Lambert.

The parent is Lomas Financial Corp. Its other real estate subsidiary is Lomas Mortgage USA.

David A. Ridley, president, is in charge of making property investments. Webb Sowden Jr., executive vice president, is client contact.

McMahan Real Estate Advisors Inc.

201 California St., Suite 400, San
Francisco, Calif. 94111; (415)
433-7770

Tax-exempt real estate assets	$568,000,000
Equity	$483,000,000
Hybrid debt	$85,000,000
Commingled or pooled funds	
Equity	$24,000,000
Hybrid debt	$5,000,000
Direct, separate accounts	
Equity	$459,000,000
Hybrid debt	$80,000,000
Total real estate assets	$630,000,000
Equity	$536,000,000
Hybrid debt	$94,000,000

As of June 30, McMahan Real Estate Advisors Inc. had $568 million in U.S. institutional tax-exempt real estate assets, of which $400 million was in fully discretionary accounts.

The tax-exempt equity assets had a market value of $300 million as of June 30; contributions committed but not received were $183 million.

The hybrid debt holdings had a market value of $56 million; contributions committed but not received were $29 million.

Of the total assets under management, $63 million was for non-U.S. clients.

All of the tax-exempt assets were invested in existing properties.

The property mix for tax-exempt assets was 9.6% industrial; 41.8% office/commercial; and 48.6% retail.

The tax-exempt property portfolio is located 91% in the West and 9% in the South.

Of the four regions, the primary emphasis will be on buying in the West. The firm also expects to emphasize buying industrial properties.

McMahan expects to spend less than $1 million for tax-exempt clients on rehabilitation, renovation, expansion or modernization of existing properties in 1989.

Its main area of concentration during the year will be acquisitions.

The firm offers separate account management and closed-end funds.

Tax-exempt clients include NYNEX, Southwestern Bell, Contra Costa County and Ventura County.

In September, the firm announced it was being acquired by Mellon Bank Corp.

Thomas C. Clark, executive vice president, James H. Ida and Fred Baugh, vice presidents, are in charge of making property investments. Barry Rilliet, vice president, is client contact.

McMorgan & Co.

201 Spear St., San Francisco, Calif.
94105; (415) 777-9300

Tax-exempt real estate assets	$1,500,000,000
Equity	$200,000,000
Hybrid debt	$200,000,000
Mortgages	$1,100,000,000
Direct, separate accounts	
Equity	$200,000,000
Hybrid debt	$200,000,000
Mortgages	$1,100,000,000
Total real estate assets	$1,500,000,000

As of June 30, McMorgan & Co. had $1.5 billion in U.S. institutional tax-exempt real estate assets, all of which was in fully discretionary accounts.

The equity assets had a market value of $200 million as of June 30. The hybrid debt holdings had a market value of $200 million. The mortgages had a market value of $1.1 billion.

Of the assets, 10% was invested in existing properties and 90% in developmental properties.

The property mix was 1% hotel/resort; 5% industrial; 5% multifamily housing; 10% office/commercial; 5% retail; and 74% single-family residential.

The portfolio is located 100% in the West.

Of the four regions, the primary emphasis will be on buying in the West. The firm also expects to emphasize buying industrial properties.

McMorgan expects to spend $5 million on rehabilitation, renovation, expansion and modernization of existing properties in 1989.

Its main area of concentration during the year will be on rehabilitation/asset management of properties.

The firm offers separate account management.

Michael T. Fry, senior vice president, is in charge of making property investments. William Sumner, senior vice president, is client contact.

Mellon Real Estate Investment Management

8 Stamford Forum, Stamford, Conn.
06901; (203) 324-6400

Tax-exempt real estate assets	$554,000,000
Equity	$307,000,000
Hybrid debt	$123,000,000
Mortgages	$124,000,000
Direct, separate accounts	
Equity	$307,000,000
Hybrid debt	$123,000,000
Mortgages	$124,000,000
Total real estate assets	$586,000,000
Equity	$339,000,000
Hybrid debt	$123,000,000
Mortgages	$124,000,000

As of June 30, Mellon Real Estate Investment Management Corp. had $554 million in U.S. institutional tax-exempt real estate assets, of which $515 million was in fully discretionary accounts.

The tax-exempt equity assets had a market value of $301 million as of June 30; contributions committed but not received were $6 million.

The hybrid debt holdings had a market value of $121 million; contributions committed but not received were $2 million. The market value of the mortgages was $120 million; contributions committed but not received were $4 million.

Of the total assets under management, $32 million was for non-U.S. pension funds.

All of the tax-exempt assets were invested in existing properties.

The property mix was 17% industrial; 2% multifamily housing; 61% office/commercial; 17% retail; and 3% single-family residential.

The tax-exempt property portfolio is located 14% in the West; 34%, Midwest; 23%, East; and 29%, South.

The firm expects to place primary emphasis on the purchase of retail/commercial properties in the next year.

Mellon Real Estate expects to spend $2.5 million for tax-exempt clients on rehabilitation, renovation, expansion or modernization of properties in 1989.

Its main area of concentration during the year will be acquisitions.

The firm offers separate account management.

Tax-exempt clients include Westinghouse, Borg-Warner, Georgia Municipal Employees and GM.

The parent company is Mellon Bank Corp., which announced in September that it was acquiring McMahan Real Estate Advisors Inc.

Arlen Dahlquist, senior vice president, and Jeff Shea and Tom Ryan, vice presidents, are in charge of making property investments. Elmer G. Oniffrey, senior vice president, is client contact.

L.J. Melody & Co.

5847 San Felipe, Suite 4400, Houston,
Texas 77057; (713) 787-1900

Tax-exempt real estate assets	$900,000,000
Hybrid debt	$479,000,000
Mortgages	$421,000,000
Direct, separate accounts	
Hybrid debt	$479,000,000
Mortgages	$421,000,000
Total real estate assets	$2,063,000,000
Hybrid debt	$712,000,000
Mortgages	$1,351,000,000

As of June 30, L.J. Melody & Co. had $900 million in U.S. institutional tax-exempt real estate assets.

The hybrid debt holdings had a market value of $440 million; contributions committed but not received were $39

Managers with non-U.S. property investments*

Firm	$ millions
JMB Institutional Realty	4,289
Prudential Real Estate	1,600
Morguard Investments	1,079
Edgecombe Group	800
Penreal Advisors	136
Equitable Real Estate	123
PSI Institutional Realty	113
MONY Real Estate	75
RREEF Funds	61
Angeles Institutional Advisors	31
NCNB National Bank	29
GE Investments	23
Alex. Brown Realty Advisors	8
Total	**8,367**

* Rankings based on total assets

Of the tax-exempt assets, 95% was invested in existing properties and 5% in developmental properties.

The property mix for tax-exempt assets was 4.7% multifamily housing; 56.4% office/commercial; and 38.9% retail.

The tax-exempt property portfolio is located 12.5% in the West; 3.3%, East; and 84.2%, South.

Of the four regions, the primary emphasis will be on buying in the West. The firm also expects to emphasize buying retail properties.

Its main area of concentration during the year will be acquisitions.

The firm offers direct separate accounts and participations in direct investments.

L.J. Melody & Co. of California is an affiliate.

L.J. Melody, president, and John M. Bradley, executive vice president, are in charge of making property investments. Robert D. Barkley, vice president, is client contact.

Metropolitan Life

1 Madison Ave., New York, N.Y.
10010; (212) 578-3343

Tax-exempt real estate assets	$948,000,000
Equity	$948,000,000
Commingled or pooled funds	
Equity	$815,000,000
Direct, separate accounts	
Equity	$133,000,000
Total real estate assets	$24,000,000,000
Equity	$9,900,000,000
Mortgages	$14,100,000,000

As of June 30, Metropolitan Life had $948 million in U.S. institutional tax-exempt real estate assets, all of which was in fully discretionary accounts.

The tax-exempt equity assets had a market value of $851 million as of June 30. Contributions received but not invested were $85 million; contributions committed but not received were $12 million.

Of tax-exempt general account assets, $2.01 billion was invested in equity real estate and $7.63 billion, in mortgages.

Of the total assets under management, $465 million was for Japanese clients.

All of the tax-exempt assets were invested in existing properties.

The property mix for tax-exempt assets was 2% hotel/resort; 19% industrial; 8% multifamily housing; 46% office/commercial; 24% retail; and 1% mixed use.

The tax-exempt property portfolio is located 36% in the West; 15%, Midwest; 23%, East; and 26%, South.

Of the four regions, the primary emphasis will be on buying in the Midwest. The firm also expects to emphasize industrial properties.

Its main area of concentration during the year will be rehabilitation/asset management of existing properties.

The firm offers open- and closed-end commingled funds, separate account management, joint ventures and direct investments.

The Tower Fund is an open-end fund that has received and invested $228 million; has received but not invested $85 million; and has commitments for but not received $12 million.

This announcement appears as a matter of record only

$110,000,000

Master Servicing Contract

To

Financial Products & Services, Inc.

Boston, Massachusetts

FP&S

From

Los Angeles County
Employees Retirement Association

Financial Products & Services, Inc., a subsidiary of the Ocwen Financial Corporation
280 Franklin Street, Boston, MA 02110 • (617) 439-4448

properties, with lease terms typically not exceeding five years without a rent review. The fund, which will not exceed 75 properties, now holds offices, R&D complexes, retail, apartments and warehouses.

Account RE is an open-end commingled fund. Contributions received and invested were $233 million from 30 clients. The fund invests in high-quality existing and leased properties. Investments are also made with major developers in large properties. The investment commitment is often made during the planning and developmental stages, with the funding occurring upon completion, limiting developmental risk. The emphasis is on R&D/industrial buildings, regional shopping centers and urban and suburban office buildings.

The Defined Contribution Real Estate Account, an open-end fund, has received and invested $88 million from one participant. The DCRE fund, especially designed to meet the needs of defined contribution plans, emphasizes low-risk, high-quality well-leased properties generating strong current income with long-term appreciation potential.

Acquisitions focus on properties valued between $5 million and $15 million, and include retail, office, R&D, warehouse, light industrial and apartment properties.

Real estate subsidiaries include Century 21, Cross & Brown, MetFirst Financial, Farmers National, MetWest Agribusiness and MetHotels.

James B. Digney, senior vice president-real estate investments, is in charge of making property investments. Michael J. Walker, assistant vice president-pensions real estate, is client contact.

MIG Cos.

1645 Palm Beach Lakes Blvd., Suite
600, West Palm Beach, Fla. 33401;
(407) 686-1800

Tax-exempt real estate assets	$1,236,000,000
Equity	$618,000,000
Hybrid debt	$489,000,000
Mortgages	$129,000,000
Commingled or pooled funds	
Equity	$409,000,000
Direct, separate accounts	
Equity	$209,000,000
Hybrid debt	$489,000,000
Mortgages	$129,000,000
Total real estate assets	$1,236,000,000

As of June 30, MIG Cos. had $1.236 billion in U.S. institutional tax-exempt real estate assets, of which $474 million was in fully discretionary accounts.

The tax-exempt equity assets had a market value of $555 million June 30. Contributions committed but not received were $63 million.

The hybrid debt holdings had a market value of $473 million. Contributions committed but not received were $15 million. The market value of the mortgages was $99 million. Contributions committed but not received were $31 million.

Of the assets, 87.7% was invested in existing properties and 12.3% in developmental properties.

The property mix was 9.8% hotel/resort; 7.7% industrial; 23.2% multifamily housing; 25.9% office/commercial; 20.6% retail; and 12.8% other.

The portfolio is located 21.6% in the West; 42.4%, Midwest; 10.3%, East; and 25.7%, South.

Of the four regions, the primary emphasis will be on buying in the West. The firm also expects to emphasize buying multi-family housing.

Its main area of concentration during the year will be acquisitions.

The firm offers discretionary and non-discretionary accounts, and commingled funds.

MIG offers six commingled funds; four are closed to new subscriptions. The Residential Group Trust is open for subscriptions and has contributions committed but not received of $40 million from two participants. The Stonemark Equity Trust is open and has received and invested $11 million and has commitments not received of $10 million. The Stonemark Equity Trust has three participants.

Tax-exempt clients include the Detroit General Retirement, Detroit Police and Fire, the Philadelphia Board of Pensions and Allied Signal.

Real estate subsidiaries include MIG Realty Advisors, MIG Realty Investors and MIG Capital Management.

Larry Wright, executive vice president, is in charge of making property investments. R. Daniel Barwick, senior vice president, is client contact.

J.P. Morgan Investment Management Inc.

522 Fifth Ave., New York, N.Y. 10036;
(212) 837-2181

Tax-exempt real estate assets	$1,982,000,000
Equity	$675,000,000
Hybrid debt	$1,307,000,000
Commingled or pooled funds	
Equity	$577,000,000
Hybrid debt	$1,180,000,000
Direct, separate accounts	
Equity	$98,000,000
Hybrid debt	$127,000,000
Total real estate assets	$2,120,000,000
Equity	$732,000,000
Hybrid debt	$1,388,000,000

As of June 30, J.P. Morgan Investment Management Inc. had $1.982 billion in U.S. institutional tax-exempt real estate assets, of which $1.868 billion was in fully discretionary accounts.

The tax-exempt equity assets had a market value of $215 million as of June 30. Contributions received but not invested were $293 million; contributions committed but not received were $167 million.

The hybrid debt holdings had a market value of $1.129 billion. Contributions received but not invested were $113 million; contributions committed but not received were $65 million.

Of the total assets under management, $137 million was for non-U.S. clients, of which $102 million was for Japanese clients.

Of the tax-exempt assets, 72% was invested in existing properties and 28% in developmental properties.

The property mix for tax-exempt assets was 2% hotel/resort; 16% industrial; 43% office/commercial; and 39% retail.

The tax-exempt property portfolio is located 2% in the West; 13%, Midwest; 68%, East; and 17%, South.

The primary emphasis will be on buying industrial properties.

J.P. Morgan expects to spend $135 million for tax-exempt clients on rehabilitation, renovation, expansion or modernization of properties in 1989.

Its main area of concentration during the year will be acquisitions.

The firm offers investment in an open-end commingled fund and direct, separate account management.

J.P. Morgan's Real Estate Fund is an open-end fund with 155 participants; contributions and commitments total $1.757 billion. The fund balances existing, leased, high-income-generating investments with a limited number of special situation development and redevelopment joint ventures. Emphasis is on the industrial sector, which currently comprises 16% of the fund, and on older office buildings within the Northeast urban office centers. It also invests in markets that have been severely depressed because of reversible factors.

The parent is J.P. Morgan & Co.

Timothy J. Heise, managing director, is in charge of making property investments. Erling Asheim, vice president, is client contact.

NCNB National Bank

1 NCNB Plaza, Charlotte, N.C. 28255;
(704) 374-5312

Tax-exempt real estate assets	$762,000,000
Equity	$685,000,000
Hybrid debt	$77,000,000
Commingled or pooled funds	
Equity	$466,000,000
Hybrid debt	$71,000,000
Direct, separate accounts	
Equity	$219,000,000
Hybrid debt	$6,000,000
Total real estate assets	$762,000,000

As of June 30, NCNB National Bank had $762 million in U.S. institutional

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tax-exempt real estate assets, all of which was in fully discretionary accounts.

The tax-exempt equity assets had a market value of $673 million as of June 30. Contributions received but not invested were $12 million. The hybrid debt holdings had a market value of $77 million.

Of the assets under management, $29 million was in non-U.S. properties.

As of June 30, 56.7% of the assets was in existing properties and 43.3% in developmental properties.

The property mix was 28.2% industrial; 7.9% multifamily housing; 12.5% office/commercial; 51.4% land.

The property portfolio is located 0.1% in the West; 11.1%, East; and 88.8%, South.

Of the four regions, the primary emphasis will be on buying in the South. The firm also expects to emphasize buying office/commercial and industrial properties.

NCNB National Bank expects to spend $50 million for tax-exempt clients on rehabilitation, renovation, expansion or modernization of existing properties in 1989.

Its main area of concentration during the year will be rehabilitation/asset management of existing properties.

The firm offers open- and closed-end funds and separate account management.

The NCNB Real Estate Fund is an open-end fund, with $515 million in contributions from 669 participants. The fund buys land for the development of commercial and residential investments, primarily business parks, situated near major southeastern cities.

Tax-exempt investment clients include the Ohio Schools, TWA Pilots, Washington Suburban Sanitary Commission and the Inter-American Development Bank.

The parent company is NCNB Corp.

Floyd T. Boyce, senior vice president, is in charge of making property investments. Patrick P. Laratta III, vice president, is client contact.

The O'Connor Group

200 Park Ave., New York, N.Y. 10166;
(212) 687-7420

Tax-exempt real estate assets	$1,350,000,000
Equity	$1,350,000,000
Commingled or pooled funds	
Equity	$713,000,000
Direct, separate accounts	
Equity	$637,000,000
Total real estate assets	$1,609,000,000
Equity	$1,609,000,000

As of June 30, The O'Connor Group had $1.35 billion in U.S. institutional tax-exempt real estate assets, of which $321 million was in fully discretionary accounts.

The tax-exempt equity assets had a market value of $1.005 billion as of June 30. Contributions received but not invested were $345 million.

Of the total assets under management, $4 million was for non-U.S. clients.

All of the tax-exempt assets was invested in existing properties.

The property mix for tax-exempt assets was 13% industrial; 15% office/commercial; and 72% retail.

The tax-exempt property portfolio is located 4% in the West; 34%, Midwest; 14%, East; and 48%, South.

The primary emphasis will be on buying retail properties.

Its main area of concentration during the year will be acquisitions.

The firm offers closed-end commingled funds and separate account management.

The Community Center Trust (CCF), expected to close in December 1989, emphasizes the acquisition of retail, office and industrial sites that have a minimum value of $50 million.

Tax-exempt investment clients include AT&T, California Employees, Ford and Kansas Employees.

The firm's real estate subsidiary is O'Connor Management Inc.

Jeremiah W. O'Connor, Glenn J. Rufrano and Benjamin G. Gifford are in charge of making property investments. Nancy I. Lashine, principal, is client contact.

Phoenix Mutual Life Insurance Co.

1 American Row, Hartford, Conn.
06115; (203) 275-5000

Tax-exempt real estate assets	$432,000,000
Equity	$125,000,000
Hybrid debt	$307,000,000
Commingled or pooled funds	
Equity	$118,000,000
Hybrid debt	$253,000,000
Direct, separate accounts	
Equity	$7,000,000
Hybrid debt	$54,000,000
Total real estate assets	$2,756,000,000
Equity	$422,000,000
Hybrid debt	$956,000,000
Mortgages	$1,378,000,000

As of June 30, Phoenix Mutual Life Insurance Co. had $432 million in U.S. institutional tax-exempt real estate assets, all of which was in fully discretionary accounts.

The tax-exempt equity assets had a market value of $125 million as of June 30. The hybrid debt holdings had a market value of $307 million.

Of tax-exempt general account assets, $349 million was invested in mortgages.

All of the tax-exempt assets were invested in developmental properties.

The property mix for tax-exempt assets was 17.9% office/industrial; 37.1% multifamily housing; 27.9% office/commercial; and 17.1% retail.

The tax-exempt property portfolio is located 32.5% in the West; 31.3%, Midwest; 21.7%, East; and 14.5%, South.

Of the four regions, the primary emphasis will be on buying in the Midwest. The firm also expects to emphasize buying apartment properties.

Phoenix Mutual expects to spend between $2 million and $3 million for tax-exempt clients on rehabilitation, renovation, expansion or modernization of existing properties in 1989.

Its main area of concentration during the year will be disposition.

The firm offers open and closed-end funds and separate account management.

The Real Estate Separate Account (RESA) is an open-end fund with $371 million invested for 224 tax-exempt participants. The fund focuses on investments in newly constructed properties, allowing for maximum appreciation during the lease-up phase and high rates of return for short holding periods. Each transaction is structured to enhance the overall objective of the risk, return and diversification, and to preserve and protect investment capital.

The Closed-End Real Estate Account (CEREA-I), a closed-end fund that is expected to close in November 1989, has $67 million in commitments not received from four participants. The fund follows the same investment strategy as RESA.

Tax-exempt clients include Connecticut, Burroughs Wellcome, Virginia Supplemental and Armstrong Rubber.

Real estate subsidiaries of the firm are Phoenix Founders Inc., Phoenix Realty Management Inc., Phoenix Farmland Management Inc. and Phoenix Realty/PDF 86 Inc.

Mary Ellen Burke, director-client services, is client contact.

Property Capital Associates

1 Post Office Square, Boston, Mass.
02109; (617) 451-2400

Tax-exempt real estate assets	$780,000,000
Equity	$780,000,000
Commingled or pooled funds	
Equity	$679,000,000
Direct, separate accounts	
Equity	$101,000,000
Total real estate assets	$780,000,000

As of June 30, Property Capital Associates had $780 million in U.S. institutional tax-exempt real estate assets, all of which was in fully discretionary accounts.

The equity holdings had a market value of $670 million as of June 30. Contributions committed but not received were $110 million.

Of the assets under management, $10 million was for foreign clients, of which $8 million was for non-U.S. pension funds.

All assets were in existing properties.

The property mix was 21% hotel/resort; 7% industrial; 19% multifamily housing; 41% office/commercial; and 12% retail.

The property portfolio is located 26% in the West; 32%, Midwest; 30%, East; and 12%, South.

Of the four regions, the primary emphasis will be on buying in the West. The firm also expects to emphasize buying industrial properties.

Property Capital Associates expects to spend $100 million on rehabilitation, renovation, expansion or modernization of existing properties in 1989.

Its main area of concentration during the year will be rehabilitation/asset management of existing properties.

The firm offers closed-end funds, direct investments and separate account management.

The PCA Green Tree Mall is a closed-end commingled fund, expected to close in December. Contributions committed but not received are $56 million. The fund will provide a participating mortgage loan on an existing regional shopping mall in southern Indiana.

Clients include Allied-Signal, Eastman Kodak, Harvard and Maine.

Anthony D. Fox, director, is in charge of making property investments.

Gary R. Scwandt, director, is client contact.

Prudential Real Estate Investors

751 Broad St., 3 Prudential Plaza,
Newark, N.J. 07102-3777; (201)
802-8462

Tax-exempt real estate assets	$5,491,000,000
Equity	$5,086,000,000
Hybrid debt	$166,000,000
Mortgages	$239,000,000
Commingled or pooled funds	
Equity	$4,903,000,000
Hybrid debt	$166,000,000
Mortgages	$239,000,000
Direct, separate accounts	
Equity	$183,000,000
Total real estate assets	$52,800,000,000
Equity	$22,000,000,000
Hybrid debt	$200,000,000
Mortgages	$30,600,000,000

As of June 30, Prudential Real Estate Investors had $5.491 billion in U.S. institutional tax-exempt real estate assets, of which $5.409 billion was in fully discretionary accounts.

The tax-exempt equity assets had a market value of $4.471 billion as of June 30. Contributions received but not invested were $414 million; contributions committed but not received were $201 million.

The hybrid debt holdings had a market value of $133 million; Contributions received but not invested were $33 million. The market value of the mortgages was $168 million; contributions received but not invested were $71 million.

Of tax-exempt general account assets, $200 million was invested in equity real estate and $7.8 billion in mortgages.

Of the total assets under management, $1 billion was for non-U.S. clients, of which $825 million was for Japanese clients and $200 million was for non-U.S. pension funds. Of the total assets, $1.6 billion was in non-U.S. properties.

All the tax-exempt assets were invested in existing properties.

The property mix for tax-exempt assets was 9% hotel/resort; 14.7% industrial; 13.6% multifamily housing; 44.8% office/commercial; 17.7% retail; and 0.2% other.

The tax-exempt property portfolio is located 31% in the West; 15%, Midwest; 38.7%, East; and 15.3%, South.

Prudential Real Estate Advisors expects to spend between $100 million and $125 million for tax-exempt clients on rehabilitation, renovation, expansion or modernization of existing properties in 1989.

Its main area of concentration during the year will be acquisitions of industrial properties.

The firm offers commingled open-end equity and mortgage funds, closed-end equity funds, separate accounts and direct investments in existing and developmental properties.

The Prudential Property Investment Separate Account (PRISA), an open-end fund, has $3.529 billion invested for 213 participants; it has another $272 million in contributions received but not invested. The fund invests in completed, well-leased, income-producing properties, with a preference for sole ownership and minimal leverage.

Prudential Property Investment Separate Account II (PRISA II) is an open-end fund currently closed to new deposits. The fund has $546 million invested for 28 participants, $95 million in contributions received but not invested and $145 million in contributions committed but not received. It seeks emerging investment opportunities by buying completed, well-leased properties on an all-cash basis.

The Prudential Preference Investment Mortgage Separate Account (PRIMOR), an open-ended fund, has $76 million received and invested and $25 million received but not invested from 18 clients. The fund invests in participating mortgages on union-built properties.

The Prudential Mortgage Investment Separate Account (MORISA), an open-end fund, has $57 million invested and $8 million received but not invested for five clients. It invests solely in participating mortgages on income-producing property.

The Union Mortgage Account

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Norfolk Southern Corporation
Annual Report 1988
NS
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million invested and $71 million in contributions received but not invested for 26 clients. The fund invests in construction loans, forward commitments, and permanent loans on union-built properties.

Tax-exempt clients include AT&T, Florida, New York State Teachers and Virginia Supplemental.

The parent company is The Prudential Insurance Co. of America. Its other real estate subsidiaries are Prudential Property Co., Prudential Realty Advisors, Prudential Realty Partnerships Inc., Prudential Realty Securities I and II, Prudential Home Mortgage Corp. Inc., Prudential Home Security Inc., 745 Property Investments, PIC Realty Corp., Capital Agricultural Property Services Inc., PG Realty, PIC Realty Canada, Prudential Mortgage Capital Co., Lenders Service Acquisition Corp., Premisys Real Estate Services Inc. and Prudential Real Estate Affiliates.

S. Michael Bennett, vice president, is in charge of making property investments. Lester F. Lockwood, vice president-domestic marketing, is client contact.

PSI Institutional Realty

1015 Grandview Ave., Glendale, Calif.
91201; (818) 244-8080

Tax-exempt real estate assets	$1,040,000,000
Equity	$1,040,000,000
Commingled or pooled funds	
Equity	$785,000,000
Direct, separate accounts	
Equity	$255,000,000
Total real estate assets	$2,943,000,000
Equity	$2,681,000,000
Mortgages	$262,000,000

As of June 30, PSI Institutional Realty, a division of Public Storage Inc., had $1.04 billion in U.S. institutional tax-exempt real estate assets, of which $8 million was invested in non-U.S. properties.

The tax-exempt equity assets had a market value of $830 million as of June 30. Contributions received but not invested were $122 million; contributions committed but not received were $88 million.

Of the total assets under management, $197 million was for non-U.S. clients, of which $34 million was for non-U.S. pension funds. The firm had a total of $113 million invested in non-U.S. properties.

Of the tax-exempt assets, 5% was invested in existing properties and 95% in developmental properties.

All tax-exempt assets were invested in industrial properties.

The tax-exempt property portfolio is located 49% in the West; 11.8%, Midwest; 16.8%, East; and 22.4%, South.

Of the four regions, the primary emphasis will be on buying in the East. The firm also expects to emphasize buying industrial properties.

Its main area of concentration during the year will be on the management of existing properties.

The firm offers closed-end funds and separate account management.

Public Storage Institutional Fund IV (PSIF IV) is expected to close Oct. 31. The fund is a limited partnership that will acquire high-grade commercial and industrial land sites and will develop, own and manage mini-warehouse facilities nationwide.

Tax-exempt investment clients include Ameritech, Connecticut, Eastman Kodak and Illinois.

The parent company is Public Storage Inc.

Hugh Horne, president-Public Storage Development Group, is in charge of making property investments. Thomas J. Mizo, senior vice president, is client contact.

The RREEF Funds

650 California St., Suite 1800, San
Francisco, Calif. 94108; (415)
781-3300

Tax-exempt real estate assets	$3,701,000,000
Equity	$3,701,000,000
Commingled or pooled funds	
Equity	$2,925,000,000
Direct, separate accounts	
Equity	$776,000,000
Total real estate assets	$3,701,000,000

As of June 30, The RREEF Funds had $3.701 billion in U.S. institutional tax-exempt real estate assets, of which $2.925 billion was in fully discretionary accounts.

The tax-exempt equity assets had a market value of $3.156 billion as of June 30. Contributions received but not invested were $67 million; contributions committed but not received were $478 million.

Of the assets under management, $61 million was in non-U.S. properties and $398 million was for non-U.S. pension funds.

All the assets were in existing properties.

The property mix was 29% industrial; 34% office/commercial; and 37% retail.

The property portfolio is located 46% in the West; 19%, Midwest; 17%, East; 18%, South.

Of the four regions, the primary emphasis will be on buying in the Midwest. The firm also expects to emphasize buying industrial properties.

Its main area of concentration during the year will be rehabilitation/asset management of existing properties.

The firm offers both core and specialized closed-end funds and separate account management.

RREEF Apartment Fund-I has more than $70 million in commitments. The fund will purchase high-quality apartment buildings in select major U.S. metropolitan areas. The maximum size of the fund will be $125 million.

RREEF Industrial Fund-I will acquire substantially occupied warehouses and light manufacturing properties in three large metropolitan markets. Acquisition prices for individual properties will range from $2 million to $15 million each.

RREEF USA Fund-IV will purchase office buildings and shopping centers of more than $25 million in size and industrial parks of more than $15 million in size in major U.S. metropolitan areas. The maximum size of the fund will be $300 million.

Clients include AT&T, Illinois State Universities, New York State Common and Shell Oil.

Stanislaw Maliszewski, partner, is the client contact.

Schroder Real Estate Associates

437 Madison Ave., New York, N.Y.
10022; (212) 486-9800

Tax-exempt real estate assets	$450,000,000
Equity	$450,000,000
Commingled or pooled funds	
Equity	$350,000,000
Direct, separate accounts	
Equity	$100,000,000
Total real estate assets	$1,200,000,000
Equity	$1,200,000,000

As of June 30, Schroder Real Estate Associates had $450 million in U.S. institutional tax-exempt real estate assets, of which $275 million was in fully discretionary accounts.

The tax-exempt equity assets had a market value of $300 million as of June 30. Contributions committed but not received were $150 million.

Of the total assets under management, $750 million was for non-U.S. clients, including $300 million for foreign pension funds.

All of the U.S. tax-exempt assets were invested in existing properties.

The property mix for tax-exempt assets was 40% office/commercial and 60% retail.

The tax-exempt property portfolio is located 26% in the West; 8%, Midwest; 38%, East; and 28%, South.

Of the four regions, the primary emphasis will be on buying in the East. The firm also expects to emphasize buying office properties.

Schroder expects to spend $75 million for tax-exempt clients on rehabilitation, renovation, expansion or modernization of properties in 1989.

Its main area of concentration during the year will be acquisitions.

The firm offers closed-end funds, co-investment programs and separate account management.

The Schroder Real Estate Value-Enhancement Fund B L.P. is expected to

Managers with non-U.S. clients*

Firm	$ millions
Yarmouth Group	3,060
Equitable Real Estate	1,696
Corporate Property Investors	1,650
Lehndorff & Babson	1,382
Eastdil Realty	1,325
Morguard Investments	1,079
Prudential Real Estate	1,000
Edgecombe Group	850
Schroder Real Estate	750
Heitman Advisory	700
Baring Institutional Realty	663
Metropolitan Life	465
Chesterton Int'l	399
Citicorp Real Estate	256
JMB Institutional Realty	230
Aetna Life & Casualty	211
PSI Institutional Realty	197
Travelers	174
J.P. Morgan Investment Mgmt.	137
Penreal Advisors	136
Loeb Partners Realty	100
Birtcher Realty Advisors	65
Massachusetts Mutual Life	65
McMahan Real Estate	63
Balcor	44
First Chicago Investment	33
Property Capital Associates	10
American Agricultural	9
Richard Ellis	9
Angeles Institutional Advisors	6
O'Connor Group	4
Total	**16,768**

* Rankings based on total assets

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PIEDMONT REALTY ADVISORS
650 California Street, 22nd Floor
San Francisco, California 94108
(415) 433-4100

close in December. The fund has commitments not received of $33 million from two participants, and its size will be between $100 million and $250 million. The fund is a finite-life partnership that will acquire underperforming retail, office and industrial warehouse properties possessing significant value-enhancement potential. Properties will be subjected to intense direct property and construction management and will be sold upon creation of optimum incremental value.

Tax-exempt clients include Eastman Kodak, 3M, Philip Morris and the New York State Common Fund.

A real estate subsidiary of the firm is Schroder Center Management Inc.

Norman L. Peck, managing director, is in charge of making property investments. John Emmanuel, senior vice president, is client contact.

Sentinel Real Estate Corp.

1290 Avenue of the Americas, New
York, N.Y. 10104; (212) 408-2911

Tax-exempt real estate assets	$1,358,000,000
Equity	$1,358,000,000
Commingled or pooled funds	
Equity	$1,048,000,000
Direct, separate accounts	
Equity	$310,000,000
Total real estate assets	$1,626,000,000
Equity	$1,626,000,000

As of June 30, Sentinel Real Estate Corp. had $1.358 billion in U.S. institutional tax-exempt real estate assets, all in fully discretionary accounts.

The tax-exempt equity assets had a market value of $1.358 billion as of June 30.

All of the tax-exempt assets were invested in existing properties.

The property mix was 1% industrial; 86% multifamily housing; 6% office/commercial; and 7% retail.

The property portfolio is located 36% in the West; 9%, Midwest; and 55%, South.

The firm expects to emphasize buying garden apartment properties.

Sentinel expects to spend $15 million on rehabilitation, renovation, expansion, and modernization of existing properties in 1989.

Its main area of concentration during the year will be acquisitions.

The firm offers separate account management and open- and closed-end commingled funds.

Sentinel offers four commingled funds, one of which is closed for new subscriptions. The SRE Real Estate Fund is an open-end group trust with $853 million from 117 participants. The fund invests in garden apartment, office, retail and industrial properties between $5 million and $25 million. Properties acquired will have a high current income and potential for value enhancement through on-site property management.

SRE Realty Partners II, a closed-end fund, is a limited partnership. The fund has received $10 million from three investors. The fund acquires new apartment properties between $5 million and $20 million, with potential for capital appreciation and value enhancement.

SRE Realty Partners III, also a closed-end fund structured as a limited partnership, has received $8 million from two participants. The property emphasis will be on residential, commercial and industrial properties from $3 million to $15 million. Properties will be selected on the basis of potential for significant capital appreciation through a change in density or use, or through redevelopment. Investments will be made in older properties that are expected to be suitable for a change in economic use over a seven- to 10-year period.

Tax-exempt investment clients include Maryland, Ford Motor, Alaska and U S WEST.

John Streicker, president and chief investment officer, is in charge of making property investments. Lewis W. Kresch, senior vice president, is client contact.

State Street Bank and Trust

225 Franklin St., Boston, Mass. 02110;
(617) 654-3953

Tax-exempt real estate assets	$549,000,000
Equity	$273,000,000
Hybrid debt	$175,000,000
Commingled or pooled funds	
Equity	$273,000,000
Hybrid debt	$175,000,000
Total real estate assets	$549,000,000

As of June 30, State Street Bank and Trust Co. had $549 million in U.S. institutional tax-exempt real estate assets, all of which was in fully discretionary accounts. In addition to the tax-exempt equity and hybrid debt assets listed above, there is $100 million included within the tax-exempt total that the firm cannot break down further. Aldrich, Eastman & Waltch acts as an adviser for all of State Street Bank's tax-exempt real estate assets.

The tax-exempt equity assets had a market value of $273 million as of June 30. The hybrid debt holdings had a market value of $175 million.

Of the assets, 91% was invested in existing properties and 9% in developmental properties.

The property mix was 34% industrial; 31% office/commercial; 32% retail; and 3% residential.

The property portfolio is located 14% in the West; 38%, Midwest; 24%, East; and 24%, South.

State Street Bank expects to spend $3 million for tax-exempt clients on rehabilitation, renovation, expansion or modernization of existing properties in 1989.

The firm offers seven closed-end commingled funds, in conjunction with Aldrich, Eastman & Waltch. The AEW-State Street Real Estate Funds I to VI are closed for new subscriptions. Fund VII is expected to close in December.

The investment philosophy of the fund series is based on a flexible, opportunistic approach, acquiring well-located, high-quality, income-producing commercial real estate. The firm concentrates on designing innovative, conservative investment programs, using equity and equity-related investment structures.

Tax-exempt clients include CBS, GTE, the World Bank and Wisconsin Electric.

The parent is State Street Boston Corp.

Robert E. Kilroy, vice president, is in charge of making property investments. Peter E. Braun, vice president, is client contact.

TCW Realty Advisors

400 S. Hope St., Suite 600, Los
Angeles, Calif. 90071-2899; (213)
683-4200

Tax-exempt real estate assets	$2,816,000,000
Equity	$2,210,000,000
Hybrid debt	$606,000,000
Commingled or pooled funds	
Equit	$1,392,000,000
Hybrid debt	$451,000,000
Direct, separate accounts	
Equity	$818,000,000
Hybrid debt	$155,000,000
Total real estate assets	$2,816,000,000

As of June 30, TCW Realty Advisors had $2.816 billion in U.S. institutional tax-exempt real estate assets, of which $2.365 billion was in fully discretionary accounts.

The equity assets had a market value of $2 billion as of June 30. Contributions received but not invested were $160 million; contributions committed but not received were $50 million.

The hybrid debt holdings had a market value of $606 million.

Of the assets, 98% was invested in existing properties and 2% in developmental properties.

The property mix was 38% industrial; 40% office/commercial; 18% retail; and 4% land.

The property portfolio is located 58% in the West; 6%, Midwest; 27%, East; and 9%, South.

Of the four regions, the primary emphasis will be on buying in the West. The firm also expects to emphasize buying undeveloped land.

TCW expects to spend $15 million for tax-exempt clients on rehabilitation, renovation, expansion or modernization of existing properties in 1989.

Its main area of concentration during the year will be acquisitions.

The firm offers direct separate ac-

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count management and closed-end commingled funds.

TCW has a series of six closed-end commingled funds, all of which are closed for new subscriptions.

Tax-exempt clients include PacTel, U S WEST, McDonnell-Douglas and Connecticut.

The firm is a joint venture with the Trust Co. of the West.

William Krauch, partner and director of acquisitions, is in charge of making property investments. Bruce Ludwig, senior partner, is client contact.

The Union Labor Life Insurance Co.

111 Massachusetts Ave., N.W.,
Washington, D.C. 20001; (202)
682-0900

Tax-exempt real estate assets	$414,000,000
Mortgages	$414,000,000
Commingled or pooled funds	
Mortgages	$414,000,000
Total real estate assets	$613,000,000
Mortgages	$613,000,000

As of June 30, Union Labor Life Insurance Co. had $414 million in U.S. institutional tax-exempt real estate assets, all in fully discretionary accounts.

The market value of the mortgages was $399 million. Contributions received but not invested were $10 million; contributions committed but not received were $5 million.

The property mix for tax-exempt assets was 7.4% hotel/resort; 25.3% industrial; 0.1% multifamily housing; 43.2% office/commercial; 22.6% retail; 0.9% single-family housing; and 0.5% restaurants.

The tax-exempt property portfolio is located 13.4% in the West; 28.2%, Midwest; 51.5%, East; and 6.9%, South.

The firm offers open-end funds and separate account management.

The Mortgage Separate Account J — "J for Jobs" — fund is an open-end commingled fund with 186 participants. Contributions received and invested were $399 million; contributions received but not invested were $10 million; and commitments not received were $5 million. The fund invests in a diversified portfolio of high-quality first mortgages on residential and income-producing properties to be built or renovated by union contracts employing only AFL-CIO building tradesmen. Investments are evaluated by location and type to minimize risk and ensure a good return on investments.

The parent is ULLICO Inc.

E.R. Saathoff, vice president-mortgage department, is in charge of making property investments. John E. Stephan, director-group sales/marketing, is client contact.

Wells Fargo Realty Advisors

595 Market St., 15th Floor, San
Francisco, Calif 94105; (415)
477-5800

Tax-exempt real estate assets	$472,000,000
Equity	$84,000,000
Hybrid debt	$387,000,000
Mortgages	$1,000,000
Commingled or pooled funds	
Equity	$76,000,000
Hybrid debt	$158,000,000
Mortgages	$1,000,000
Direct, separate accounts	
Equity	$8,000,000
Hybrid debt	$229,000,000
Total real estate assets	$523,000,000
Equity	$231,000,000
Hybrid debt	$291,000,000
Mortgages	$1,000,000

As of June 30, Wells Fargo Realty Advisors had $472 million in U.S. institutional tax-exempt real estate assets, of which $201 million was in fully discretionary accounts.

The tax-exempt equity assets had a market value of $76 million as of June 30. Contributions received but not invested were $8 million.

The hybrid debt holdings had a market value of $291 million. Contributions received but not invested were $36 million; contributions committed but not received were $60 million. The market value of the mortgages was $1 million.

Of the tax-exempt assets, 22% was invested in existing properties and 78% in developmental properties.

The property mix for tax-exempt assets was 35.9% industrial; 15.2% multifamily housing; 2.9 office/commercial; and 46% retail.

The tax-exempt property portfolio is located 80.3% in the West; 1.9%, Midwest; 5.9%, East; and 11.9%, South.

Of the four regions, the primary emphasis will be on buying in the West.

Wells Fargo Realty Advisors expects to spend $1.3 million for tax-exempt clients on rehabilitation, renovation, expansion or modernization of existing properties in 1989. Its main area of concentration will be acquisitions.

The firm offers open-end funds and separate account management.

Wells Fargo Real Estate Equity Fund is an open-end fund with assets of $202 million from 150 participants. It emphasizes development-oriented real estate transactions and opportunities where existing real estate can be upgraded, expanded or renovated. Transactions typically are structured as either development joint ventures or developmental participating mortgages.

Tax-exempt clients include Ohio Public Employees and GM.

The parent is Wells Fargo Bank N.A. Its other real estate subsidiary is Wells Fargo Realty Finance.

Doug Hayek, director of acquisitions, is in charge of making property investments. J. Michael Johnson, director of marketing, is client contact.

The Yarmouth Group

527 Madison Ave., New York, N.Y.
10022; (212) 355-4810

Tax-exempt real estate assets	$3,165,000,000
Equity	$2,820,000,000
Hybrid debt	$345,000,000
Commingled or pooled funds	
Equity	$110,000,000
Direct, separate accounts	
Equity	$2,710,000,000
Hybrid debt	$345,000,000
Total real estate assets	$6,225,000,000
Equity	$5,880,000,000
Hybrid debt	$345,000,000

As of June 30, The Yarmouth Group, formerly Richard Ellis Inc., had $3.165 billion in U.S. institutional tax-exempt real estate assets, of which $690 million was in fully discretionary accounts.

The tax-exempt equity assets had a market value of $1.67 billion as of June 30. Contributions committed but not received were $1.15 billion.

The hybrid debt holdings had a market value of $345 million.

Of the total assets under management, $3.06 billion was for non-U.S. clients, including $1.45 billion for Japanese clients and $1.61 billion for non-U.S. pension funds.

Of the tax-exempt assets, 95% was invested in existing properties and 5% in developmental properties.

The property mix for tax-exempt assets was 4% hotel/resort; 1% industrial; 72% office/commercial; and 23% retail.

The tax-exempt property portfolio is located 39% in the West; 8%, Midwest; 38%, East; and 15%, South.

Of the four regions, the primary emphasis will be on buying in the East. The firm also expects to emphasize buying office properties.

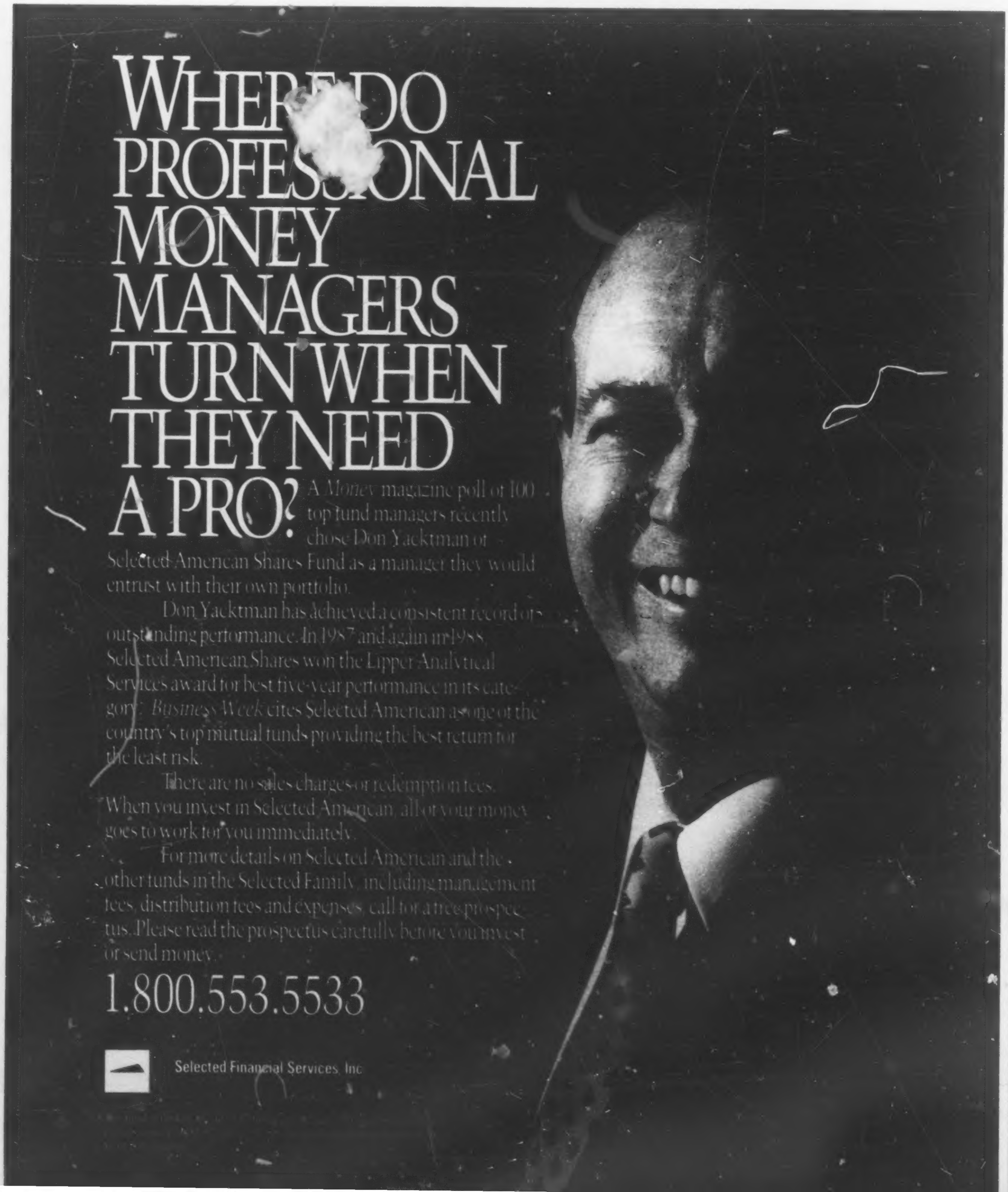
The Yarmouth Group expects to spend $75 million for tax-exempt clients on rehabilitation, renovation, expansion or modernization of existing properties in 1989. Its main area of concentration during the year will be rehabilitation and asset management of existing assets.

The firm offers direct, separate account management and a closed-end private REIT.

The Core Property Trust Inc. is a closed-end private REIT, open for new subscriptions. The fund has commitments not received for $110 million from four participants. The fund will emphasize investment in dominant office buildings in eight cities and superregional shopping malls in major metropolitan markets.

Tax-exempt clients include New York State Common Fund.

Christopher D. Budden, president, is in charge of making property investments. David R. Hodes, director, is cli-



WHERE DO PROFESSIONAL MONEY MANAGERS TURN WHEN THEY NEED A PRO?

A *Money* magazine poll of 100 top fund managers recently chose Don Yacktman of Selected American Shares Fund as a manager they would entrust with their own portfolio.

Don Yacktman has achieved a consistent record of outstanding performance. In 1987 and again in 1988, Selected American Shares won the Lipper Analytical Services award for best five-year performance in its category. *Business Week* cites Selected American as one of the country's top mutual funds providing the best return for the least risk.

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Selected Financial Services, Inc

Pension funds suited for wilderness

By Michael Edesess

This year has seen unprecedented efforts by pension trustees to indirectly influence corporate environmental decision-making. Public fund officials have demanded major oil companies appoint environmentalists to their boards, and some managers and trustees helped draft the "Valdez Principles" of sound environmental practices for corporations. This may set the stage for pension funds to become more directly active in environmentally beneficial investing.

Wilderness is endangered around the world. Pension funds, with their long-range responsibility for future standards of living, could help save it.

Evolution in both environmental and economic thought has brought about a new outlook. The view now is that ecological health and long-term economic growth are not opposites, but rather symbiotic.

Even wilderness can have economic value. Recent studies by the World Bank conclude retaining wilderness for watershed maintenance and erosion prevention can be economically superior to developing it for agriculture.

Wilderness also has value for absorbing carbon dioxide and producing oxygen, for sheltering animal and plant life and preserving biodiversity for possible future uses, for its pure amenity value and for its value to recreationists and nature lovers.

Whatever the value of wilderness and however intangible and unmarketable it may be, one thing can be said about it with some certainty: its value is rapidly and inexorably increasing.

The trouble with economically measurable environmental values is they depend on very long-term analysis. The value of rain forests, for example, lies partly in their role in retarding global warming during the next 50 or 100 years, and partly in the medicinal plants they may harbor.

Traditionally, the chief economic actors in Western society have been the corporations. Corporations' time horizons simply are not long enough for them to give full consideration to environmental values. Exxon, owning a wilderness, will drill it for oil or mine it for coal rather than preserve it for its environmental values. Even corporate managements that consider themselves long-range planners think of the long term as five or 10, sometimes 20, years, never 50 or 100 years.

M. Edesess, an economist and mathematician, consults on resource economics.

Pension funds are — or should be — a horse of another color. The responsibility of the pension fund is to assure its 30-year-old employee of the greatest possible well-being at age 80. But the pension fund's horizon is arguably much greater than 50 years. By the time the employee reaches 80 there will be other employees and retirees with whose assets his or hers will be commingled. Therefore, the assets must continue to hold bright promise. Thus the pension fund horizon could be 70, 80, even 100 years.

Managing pension fund assets for a 50- or 100-year time horizon requires 50- or 100-year thinking, not the three-month thinking that is the current norm. A lot happens in 50 years, and one of the things that frequently happens is that intrinsic, intangible values somehow become tangible.

This long-range outlook, coupled with the pension funds' deep pockets, makes them likely candidates to become wilderness investors.

Not even the Nature Conservancy, an influential private-sector wilderness preservation group, can buy enough wilderness to count for much on a global scale. Debt-for-nature swaps — where an environmental organization buys a country's debt at a deep discount and then exchanges it for an agreement to preserve the wilderness areas within that country — while important, are limited.

But the $56 billion California Public Employees' Retirement System, for example — as well as many other pension funds of comparable size — could really make an impact.

If the California Public Employees' fund can hold more than $500 million worth of IBM Corp. stock, why not a paltry $100 million in wilderness, for starters? In a well-diversified portfolio with a very long horizon, an asset can be desirable for its long-term growth potential alone.

The pension fund buying wilderness could contract with environmental organizations to manage it. Covenants would be drawn up stipulating the wilderness cannot be milked for short-term gains.

The hardheaded will ask, "How can a pension fund *ever* derive any revenue from an investment in wilderness?"

The answers to this question range from practices that preserve virtually all wilderness values, to practices that are sustainable but degrade some wilderness values.

Three means of deriving revenue that preserve virtually all wilderness values are:

- Charging recreationists for the right to hike, camp, fish and

Continued on page 61

Wilderness lands might be an appropriate investment for pension funds, whose long-term horizons and deep pockets make them attractive ownership candidates.

This announcement appears as a matter of record only

Graphic Arts Center, Inc.

a corporation controlled by
McCown De Leeuw & Co. and Management
has acquired the assets of

Graphic Arts Center

in a management buyout transaction. The undersigned sponsored this transaction, negotiated and structured the acquisition, arranged the financing and provided the majority of the equity.

McCOWN DE LEEUW & CO.

3000 Sand Hill Road
Building 3, Suite 290
Menlo Park, CA 94025
(415) 854-6000

900 Third Avenue
28th Floor
New York, NY 10022
(212) 418-6539

September 11, 1989

This announcement appears as a matter of record only

National
Fiberstok Acquisition Co., Inc.

a corporation controlled by
McCown De Leeuw & Co.,
Ralph B. Hurlbutt, and Management
has acquired the assets of the

National
Fiberstok Corporation

in a management buyout transaction. The undersigned, together with Ralph B. Hurlbutt and management, initiated this transaction, negotiated and structured the acquisition, arranged the financing and provided the equity.

McCOWN DE LEEUW & CO.

3000 Sand Hill Road
Building 3, Suite 290
Menlo Park, CA 94025
(415) 854-6000

900 Third Avenue
28th Floor
New York, NY 10022
(212) 418-6539

September 21, 1989

This announcement appears as a matter of record only

McCown De Leeuw & Co.

has joined an investor group
led by Ardshiel, Inc.,
in the acquisition of

The Company Store, Inc.

The undersigned has made
an equity investment in
this management buyout transaction

McCOWN DE LEEUW & CO.

3000 Sand Hill Road
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Menlo Park, CA 94025
(415) 854-6000

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September 18, 1989

CASH MANAGEMENT UPDATE

Rate of growth slows

NEW YORK — The growth in bank cash management services has slowed dramatically in the past two years and the trend is expected to continue at least through this year, according to a survey by the international accounting firm of Ernst & Young.

The Ernst survey shows a 7% cash management revenue increase for 1988, down from 8% in 1987. In contrast, cash management revenue grew at an average of 16% between 1984 and 1986.

Ernst projects a 5% to 6% revenue growth rate for commercial bank cash management services in 1989 to an estimated $5 billion to $5.1 billion, from $4.8 billion in 1988.

The findings reflect distinct and significant changes in the cash management environment, according to Susan Gleason, senior manager of Ernst & Young's cash management consulting practice.

"Industry executives are facing an increasingly competitive situation in which pricing strategies, customer service and product differentiation are primary considerations," she said.

The survey found the declining rate of growth is most pronounced among the top 20 commercial banks. Those banks account for about 40% of the industry's total revenue but the growth rate for this group was only 4.5% between 1987 and 1988.

The survey indicated that large corporate customers continued to consolidate their usage of cash management products. Since 1987, there has been a 17% decline in the number of lockbox customers reported by banks while remittances have increased 13% indicating corporations are reducing the size of their lockbox networks and using fewer banks.

According to Ms. Gleason, the consolidation of cash management product usage is a result of several factors.

"First, the corporate environment is being streamlined through merger and acquisition activity," she said. "Second, corporations are looking for ways to reduce banking costs and to take advantage of volume discounts. Finally, with increased efficiencies in the Federal Reserve's check-clearing process and a lower interest rate environment than we saw in the early 1980s, corporations do not need as extensive collection and concentration networks."

840 gain certification

NEWTOWN, Conn. — More than 800 treasury professionals passed the National Corporate Cash Management Association's June 3 certification examinations and earned the designation of certified cash manager.

Of the record 1,427 persons who sat for the exam, 840 passed, for a 59% passing rate. That compares with the cumulative passing rate for the four years of the CCM program of 66%.

Commercial paper up

NEW YORK — U.S. commercial paper outstanding increased $2.97 billion in July, according to the Federal Reserve Bank of New York, while other categories of commercial paper fell from June levels.

The U.S. commercial paper increase stemmed from an $11.7 billion rise in dealer-placed financial company paper, according to the New York Fed. At the end of July, commercial paper outstanding amounted to $506.4 billion, compared with $503.4 billion in June.

The increase in dealer-placed financial company paper was the largest since February, bringing the level to a record $179.4 billion from $167.7 billion in June.

Directly placed paper dropped by $5.2 billion to $205.8 billion, from $211 billion in June.

Non-financial company paper declined $3.5 billion in July to $121.2 billion from $124.7 billion. Foreign commercial paper issued in the United States rose $2.8 billion to $55.5 billion from $52.7 billion. Non-rated commercial paper fell $40 million to $2.96 billion.

Delaney on own again

SEWICKLEY, Pa. — George Delaney has reactivated the firm of L.M. Delaney Co. and the STIFS cash universe to provide short-term performance and asset review of cash equivalent portfolios managed by banks, insurance companies and investment management firms.

Mr. Delaney resigned earlier this year from Butcher Consulting Group, Pittsburgh, where he helped develop a similar performance measurement service using data developed by L.M. Delaney Co.

"This is a continuation of the work I've done for the past three years. We're looking at short time frames as others do, but will provide annualized returns as well as quarter, month, year and three and five year periods, medians and quartile returns rather than average returns," he said.

The Delaney data show portfolio maturity structure, portfolio mix, domestic and dollar-denominated foreign securities and taxable and tax-free markets, with returns given before fees.

Wilderness

Continued from page 59

boat in the wilderness. When the revenue-maximizing fee is charged, the wilderness will not be overwhelmed, and the ecology, as well as the revenue, will be sustainable.

- Charging pharmaceutical, agricultural and forestry firms for exploration rights to discover new commercial plants or research existing ones.
- Allowing limited hunting and levying the charge the market will bear.

Fifty years in the future it is quite possible — nay, likely — other revenue-producing opportunities will arise — some of them inconceivable or only barely conceivable now.

For example, the idea that industrial countries should pay forested countries for the oxygen they produce already is being discussed.

If more revenue must be generated, the following options are available that only slightly degrade wilderness values:

- Allowing sustainable, low-impact timber harvesting, and charging what the market will bear.
- Selling water rights to agricultural interests and municipalities, carefully crafted so as not to impair wilderness values.

Another set of revenue-raising techniques may smack of "protection," yet eventually could become quite legitimate.

The idea is to charge beneficiaries — such as neighboring residential areas or downstream agriculture — for *not withdrawing* certain services, like watershed and erosion protection and the amenities associated with residing near a wilderness.

Together with a doomsday fallback option of just selling the whole thing for development, it should be clear that buying wilderness as a very long-term investment is not quite the same as throwing money away.

Furthermore, if the pension fund's charter is interpreted broadly to mean the improvement of the quality of life of future retirees, it just might help do the job better than money growth rates could ever reflect. ■

Wilderness distribution by region

	Wilderness km²	%	No. of areas
Antarctica	13,208,983	100.0	2
North America	9,077,418	37.5	85
Africa	8,232,382	27.5	434
Soviet Union	7,520,219	33.6	182
Asia	3,775,858	13.6	144
South America	3,745,971	20.8	90
Australasia	2,370,567	27.9	91
Europe	138,553	2.8	11
World	48,069,951	32.3	1,039

Source: Royal Swedish Academy of Sciences' Journal of the Human Environment

Wilderness distribution by biomes

Biome	km²	% of total wilderness
Tundra communities	20,047,533	41.7
Warm deserts/semi-deserts	9,329,531	19.4
Temperate needleleaf forests	8,799,312	18.3
Tropical humid forests	3,006,855	6.3
Mixed mountain systems	1,973,391	4.1
Cold-winter deserts	1,478,494	3.1
Tropical dry forests	1,424,099	3.0
Tropical grasslands/savannas	735,331	1.5
Temperate rainforests	450,215	0.9
Temperate broadleaf forests	290,646	0.6
Temperate grasslands	272,016	0.6
Evegreen sclerophyllous forests	170,885	0.4
Mixed island systems	91,647	0.2

Source: Royal Swedish Academy of Sciences' Journal of the Human Environment

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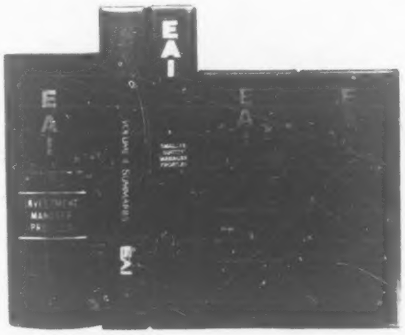

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PENSIONS &
Investment Age
October 16, 1989
THE NEWSPAPER OF CORPORATE AND INSTITUTIONAL INVESTING
$6 AN ISSUE • $110 A YEAR

Fund jumps on indexing

California Employees put 85% of stocks into passive strategy

By Steve Hemmerick

SACRAMENTO, Calif. — The $54 billion California Public Employees' Retirement System is indexing about $17 billion of its $20 billion in domestic equity assets, prompted by fears that underperforming the equity market by even one percentage point could mean an opportunity loss of hundreds of millions of dollars.

The remaining $3 billion in equities will remain with external active managers.

The index funds will be run in-house, using money that also had been internally managed, but in computer-driven active and passive strategies.

DeWitt Bowman, chief investment officer, said the fund is "well along" in the transition to indexing, which began in August.

About 70% of the passive assets will be indexed to the Standard & Poor's 500 Stock Index; the other 30% will be indexed to stocks outside the S&P 500 that are included in the Wilshire 2500 Stock Index.

In indexing, the pension fund is following a trend that has been continuing throughout the 1980s, particularly for very large pension funds, said Stephen Nesbitt, senior vice president and head of the pension consulting group at Wilshire Associates, Los Angeles. Mr. Nesbitt didn't think the trend had slowed.

Mr. Bowman wouldn't give a specific figure for the amount indexed since August because trading into the appropriate stocks is still ongoing and any public comment on the fund's market moves could affect prices for stocks and mean unnecessary losses for the equity portfolio, he said.

He said fund officials had considered the effect their indexing would have on the market, and concluded it will not move the market in either direction. But at some distant point in the future, if funds continue to index, indexing will become "dysfunctional" in that smaller investors will have disproportionate effects on market prices.

The retirement fund's move into equity indexing is one of the largest such moves for a single fund, said Lisa Shultz, a research analyst with Frank Russell Co., Tacoma, Wash.

Mr. Bowman said the decision to move into index funds began in the late summer or fall of 1988 following the decision of Greta Marshall, the former chief investment officer, not to seek a renewal of her three-year contract.

The fund had been getting a market return using an in-house, computer-driven, half-active/half-passive equity investment system, but Ms. Marshall, the architect of that system, left in June 1988. California fund officials had doubts about being able to guarantee future market returns using the system designed by her.

DeWitt Bowman said the California fund is "well along" toward indexing $17 billion.

During her years at the helm, Ms. Marshall had moved the fund from more traditional in-house stock investing to a quantitative investment method that selected stocks on a capitalization basis, said Ms. Marshall.

The stocks were further subdivided into growth stocks and value stocks and split again between active and passive strategies. In all, there were 12 pools of stocks: six actively managed and six passively managed.

In the active pools, weightings were shifted based on forecasts of market segments that were to get the highest returns.

Ms. Marshall's intention was to find whether active or passive strategies were superior. At the time, she said if active strategies didn't outperform passive strategies, the entire domestic equity portfolio,

Continued on page 69

Top 20 institutional holders of ADRs (U.S. $ millions)

July 1989	Amount	November 1988	Amount
CIGNA	980	FMR	596
Delaware Mgmt.	738	Manufacturers Nat'l	413
FMR	522	Wells Fargo Bank	405
Manufacturers Nat'l	501	CREF	398
Capital Guardian	413	Wellington	396
Wellington	386	Delaware Mgmt.	384
California Public Employees	369	Mellon Bank	377
INVESCO Capital Mgmt.	239	J.P. Morgan	364
Alliance Capital Mgmt.	232	IDS Financial	338
IDS Financial	227	Capital Guardian	333
American Capital Mgmt.	206	First RepublicanBank	327
Lazard Freres	198	Bankers Trust	269
J.P. Morgan	198	Newbold's Asset Mgmt.	251
Scudder, Stevens & Clark	197	Alliance Capital Mgmt.	247
Dreman Value Mgmt.	182	INVESCO Capital Mgmt.	239
Merrill Lynch Asset Mgmt.	181	Merrill Lynch Asset Mgmt.	237
Templeton	169	Citicorp	228
Pioneering Mgmt.	167	Minnesota State	202
Newbold's Asset Mgmt.	143	Lazard Freres	190
Rosenberg Institutional	143	NY State Teachers	189

Source: Carter Valin Pollen, New York

ADR use increases in U.S. acquisitions

By Fred Williams

American depository receipts could become the financing vehicle of choice for foreign firms that want to acquire U.S. companies, allowing them to conserve cash and avoid exhausting their borrowing capacity.

Although only about 25 acquisitions by foreign companies of U.S. firms have involved ADRs, the increased use of ADRs to finance acquisitions through an exchange of stock or a direct purchase using a combination of cash and securities appears to be growing.

The latest example of ADR financing came in late September when the Kyocera Corp. of Japan and AVX Corp., Great Neck, N.Y., announced a merger worth about $531 million. The merger involved an exchange of all outstanding shares of AVX for Kyocera ADRs, which represent two shares of Kyocera stock.

Kyocera is a ceramics manufacturer in Kyoto. AVX manufactures ceramics and glass capacitors used in electronic systems.

The growth spurt is due partly to the fact market conditions are beginning to favor such transactions, according to Philip Keevil, managing director and head of merger and acquisition activity at the

Continued on page 67

Panel proposes way to pay retiree health liabilities

By Joel Chernoff

WASHINGTON — The Senate Finance Committee boosted employers' ability to pay for their retiree-health liabilities, but Congress might increase those liabilities substantially.

The good news is that the Senate Finance Committee's budget-reconciliation bill, which was approved Oct. 4, would make it easier than other congressional proposals to transfer surplus pension assets to retiree health accounts.

The Senate bill — unlike its House Ways and Means Committee counterpart — does not require employers to purchase annuities for pension benefits before allowing the transfer. Employers insisted the annuitization rule made the provision expensive and unworkable.

The bad news is that pending efforts curb Medicare catastrophic coverage would increase employer liabilities for retiree health benefits — by as much as $30 billion.

Meanwhile, congressional panels have been vying over other pension-related issues *(see related story on page 70)*. They include:

- Replacing controversial user fees for filing pension reports with an increase to $18 per participant from $16 in the premium paid to the Pension Benefit Guaranty Corp. as well as increasing various penalties;
- Changing the full-funding limitations to aid firms with younger work forces;
- Adding a new portability provision; and
- Redefining employers'

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LATE NEWS

Loomis, Sayles to spin off unit

BOSTON — Loomis, Sayles & Co. Inc. is spinning off the Capital Growth Management Division, an aggressive equity manager, to be owned jointly by Loomis, Sayles principals Kenneth Heebner and Robert Kemp and by The New England.

The New England owns 66% of Loomis. Mr. Kemp has been president and chief executive officer of Loomis, Sayles for the past 12 years; Mr. Heebner directs the Capital Growth Management division. The two men will serve as co-general partners, and initially will purchase a 25% equity stake "and work our way up from there," Mr. Kemp said. The New England will own the remainder. The new company will manage the $2.2 billion in assets now managed by Mr. Heebner.

Executives form new Texas firm

DALLAS — Four of the five investment professionals of MSecurities Corp. have resigned to set up their own investment management firm following the sudden announcement by Dallas-based MCorp. that it would sell MTrust, its trust and investment subsidiaries, to Ameritrust Corp., Cleveland.

Hilton Hemphill, chief investment officer; Keith McClendon and Ron Trout, both senior vice presidents and portfolio manager-analysts; and Linda Calkin, analyst, resigned from MSecurities effective Oct. 31. The four will form Hourglass Capital Management, which be located in Dallas.

Ameritrust said it agreed to acquire MTrust — of which MSecurities is a part — for $120 million, of which $105 million will be cash and $15 million in a note maturing in five years. According to Ameritrust, the addition of MCorp.'s $17 billion in trust and custody assets will create operations with $48 billion in trust and custody assets.

Performance fees to be offered

NEW YORK — Alliance Capital Management L.P. received permission from the Department of Labor to offer pension fund clients an option to pay on a performance-based fee basis, using as a benchmark a normal or customized portfolio.

The department issued the permission Oct. 11. David H. Williams, Alliance chairman and chief executive officer, said he had no time to comment and declined to make other executives available.

Under the Labor Department permission, Alliance and its clients would negotiate the type of benchmark to be used. Alliance proposes it may be a standard benchmark, or a normal portfolio. Alliance would construct a normal portfolio using criteria prepared by BARRA, a Berkeley, Calif., consultant.

Clients would pay Alliance under one of three performance fee arrangements. Alliance would offer the performance-based fee option to clients with at least $50 million in total assets.

The Labor Department approval didn't specify if the permission was granted solely for equities, or also includes fixed income.

Sandy Lincoln joining Kemper

CHICAGO — Sandy Lincoln, former managing director of the asset planning practice at William M. Mercer Meidinger Hansen Inc., will join Kemper Asset Management Co. as president Oct. 30.

Mr. Lincoln replaces Leonard Spalding, who left Kemper Asset Management to become president of a newly formed securities subsidiary of Chase Manhattan Bank, New York.

Kemper Asset Management, a subsidiary of Kemper Financial Services Inc., Chicago, has $2.4 billion under management.

Committee OKs Ball nomination

WASHINGTON — The Senate Labor and Human Resources Committee has approved the long-delayed nomination of David George Ball to be assistant secretary of the Department of Labor's Pension and Welfare Benefits Administration.

Mr. Ball has served in several executive positions at AMAX Inc., Greenwich, Conn., most recently as senior executive adviser.

The nomination is subject to full Senate approval.

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Vol. 17, No. 22 — Pensions & Investment Age (ISSN 0273-5466) is published biweekly with a special edition in May by Crain Communications, Inc. 740 Rush St., Chicago, Ill. 60611-2590. Second class postage paid at Chicago, Ill. and at additional mailing offices. Postmaster: Send address changes to Pensions & Investment Age, Circulation Dept. 965 E. Jefferson, Detroit, Mich. 48207

Questionnaires have been sent

Questionnaires are in the mail for *Pensions & Investment Age*'s annual directory of the 1,000 largest pension funds. In order to be included in the Jan. 22 directory, pension fund executives must return the questionnaires by Nov. 10. If you have any questions, please contact Christine Philip, directory coordinator, at (312) 649-5217.

Market repays investors

But some pension funds cut stocks, miss out

By Leonard J. Hollie and Terry Williams

As the second anniversary of the 1987 stock market crash approaches, pension funds that steadfastly maintained their equity allocations have reaped the rewards.

The stock market recovery that has carried the Dow Jones Industrial Average to record highs has more than recouped the losses those funds incurred during the crash.

The stock portfolio of the American Telephone & Telegraph Co. pension fund, New York, for example, has $1 billion more now than it had just before the crash, excluding new contributions.

"There is a sigh of relief," said James Heller, district manager-U.S. stock and bond manager policy for the $33.5 billion AT&T fund. "It confirms our strategy of holding firm and taking the long view. Because of our size, it doesn't play to our strength to make short-term changes in our asset mixes."

On Sept. 30, 1987, more than two weeks before the market crash, AT&T had an equity allocation of 55% of assets, or $17 billion. By year end, as result of the market plunge in October, the equity allocation had dropped to 49% of assets, creating a $4 billion paper loss. But by Aug. 31 of this year, AT&T's equity allocation had rebounded to 52.5%.

"We feel that all of the capital markets are highly efficient, and it would be useless for us to second-guess all of the collective thinking that has shaped those markets," Mr. Heller said.

Other pension funds, however, reduced their equity commitments following the crash, and didn't participate fully in the stock market recovery.

According to Trust Universe Comparison Service data gathered by Wilshire Associates, Santa Monica, Calif., the median equity position of the 200 funds in the universe as of June 30 was 48.5%, down from 50.2% on Dec. 31, 1987, immediately after the market crash. The equity allocation had been as high as 55.4% as of June 30, 1987.

In fact, according to TUCS data, pension funds and/or their managers reduced their equity positions in the third quarter of 1987, just before the crash, by $14 billion. They continued to reduce equity commitments by $13 billion in the first quarter of 1988, $8 billion in the second quarter and another $19 billion in the next three quarters combined.

Dale Stevens and George Wolfe, vice presidents with Wilshire, attribute the decrease in equity allocations to pension fund managers' desire to reduce their equity exposure once the market began to recover in the first quarter of 1988.

The pension fund officer is not going to allow a run up in the market to increase his exposure to equities, Messrs. Wolfe and Stevens surmised.

During the bull market preceding the crash, there was a pattern of net flow of assets out of equities.

The only quarter in which pension fund managers didn't draw

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International, GICs big draws

Active management favored over passive

By Trudy Ring

International diversification and managed guaranteed investment contracts were key strategies in attracting business in the third quarter.

Among manager hirings reported in *Pensions & Investment Age*, international and global strategies attracted $550 million in the quarter, with $320 million going to equities and $230 million going to bonds. Of the equity assets, $66 million was for index funds.

By comparison, domestic equities and bonds, a much larger part of tax-exempt portfolios, attracted not that much more than international. A total of $537.5 million went to domestic equities, of which $133 million was indexed, and $269 million to bonds, of which $35 million was indexed.

These figures are limited to hirings reported in *P&I Age*; managers may have attracted other accounts that were not publicized.

Many of the international hirings were by large public pension funds, which are catching up to their corporate counterparts in this area. These funds included the $7 billion State of Connecticut Trust Funds, Hartford; the $3 billion Illinois State Board of Investment, Chicago; the $1.3 billion District of Columbia Retirement Board; and the $400 million North Dakota Teachers' Retirement System, Bismarck.

The international trend indicated by these hirings is consistent with the observations of InterSec Research Corp., Stamford, Conn.

Net funding of international and global managers reached the same level — $4.5 billion — in the first half of 1989 as it did in all of 1988, said Duncan Fordyce, senior vice president and partner of In-

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Most new accounts*
3rd quarter 1989

Firm	New accounts
First Chicago Investment	6
Northern Trust Co.	6
IDS Trust	4
Sovran Capital Mgmt.	4
Eagle Asset Mgmt.	3
State Street Bank	3

* As reported in *Pensions & Investment Age*

Hot
managers

Most new assets*
3rd quarter 1989

Firm	$ mils.
Trust Advisory Group	450
T. Rowe Price	300
First Chicago Investment	140
Bankers Trust	126
Weiss, Peck & Greer	108
State Street Bank	106

* As reported in *Pensions & Investment Age*

Florida may limit consultants

By Hillary Durgin

TALLAHASSEE, Fla. — Actuaries and bar associations across the country are squaring off in response to an advisory opinion drafted by The Florida Bar Association that would permit only lawyers to conduct employee benefits practices.

The opinion was filed with the Supreme Court of Florida in an effort to clarify whether persons without a law license engage in the unlicensed practice of law when drafting a pension plan. The issue first surfaced in the 1978 case Florida Bar vs. Turner.

The opinion would prohibit actuaries, benefits consultants and accountants not working for a law firm from advising on employee benefits issues. Only attorneys would be authorized to perform many of the services associated with the design and drafting of pension plans in the state.

While the current case is restricted to Florida, "there's definitely a consideration that it might affect other states," said Mary Ellen Bateman, counsel for the unlicensed practice of law committee for the Florida Bar Association. The committee drafted the opinion.

Some 22 briefs were filed in response to the Florida Bar's opinion by the Oct. 2 deadline, according to Ms. Bateman. The Florida Bar has until Nov. 27 to respond. The case is not expected to be heard until next year.

The opinion, filed July 28, defines as unauthorized many of the services that non-legal professionals perform in employee benefits consulting. Under the opinion, anyone other than a lawyer would be prohibited from advising clients on plan design and drafting plan documents, including summary plan descriptions. They also would be restricted from providing advice on such

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Tactical asset allocation use slows

Some firms miss out on bull market

By Hillary Durgin

The move by many institutional investors and money managers to tactical asset allocation following the stock market crash two years ago is slowing.

In addition, many tactical asset allocators in early 1989 shifted their assets out of stocks and into cash equivalents in anticipation of a recession, causing them to miss much of the growth in the stock market.

The 21 managers offering a tactical asset allocation product surveyed by *Pensions & Investment Age* reported $56.979 billion under management in the strategy, up 29.5% from last year's total of $44.01 billion.

(All figures, unless otherwise noted, are as of Aug. 31).

The growth of assets invested in TAA products, however, has not matched the heady pace of 1988. Last year, a *P&I Age* survey found 15 managers with $38.374 billion in tactical asset allocation accounts as of Aug. 31, 1988, an increase of 41% from the previous year.

Interest in tactical asset allocation might have ebbed even further, as the growth figures are not adjusted for market appreciation. There was, for example, a slowdown in the number of new clients added by TAA managers. The 21 firms surveyed this year picked up 127 clients during the year ended Aug. 31, compared with 138 clients added by the 15 firms in the 1988 survey.

Tactical asset allocation uses quantitative strategies to make short-term switches among asset classes — traditionally stocks, bonds and cash equivalents. Lately new classes, including real estate and metals, have been added.

Managers said there is more interest in global tactical asset allocation, mirroring the burgeoning move to global investing across all asset classes.

"Right now the interest is very definitely in global," said Denis Karnosky, managing director and head of asset allocation at Brinson Partners Inc. (formerly First Chicago Investment Advisors), Chicago. "That is where by far the most growth has been," he said.

Assets invested in TAA products at Brinson Partners grew 25% to $6 billion during the 12 months ended Aug. 31. The firm added 14 clients during this period, bringing the total number of TAA accounts to 76.

TSA Capital Management, Los Angeles, began offering a global tactical asset allocation at the end of the third quarter that invests in U.S., Japanese and U.K. securities. Under the strategy, the firm shifts among stocks, bonds and cash equivalents, said Roger Clarke, chief investment officer and managing director. "Firms have been moving more assets internationally," he said. "It's a natural extension of TAA."

TSA had $3.514 billion in tactical asset allocation accounts as of Sept. 30, up 5.7% from the previous year. The firm has 32 TAA clients, compared with 30 last year.

Other managers reported a growing interest in global TAA strategies that, for the most part, has not translated into a commitment of assets.

"There's a certain skepticism at the moment," said Patricia Dunn, president of Wells Fargo Investment Advisors, San Francisco. "I think that most of the (TAA managers) have been out of the market or not fully exposed to stocks for the past six to eight months."

Wells Fargo is the largest tactical asset allocation manager, with $11.614 billion under management, up 27.8%.

The firm added nine clients during the year ended Aug. 31, bringing its total to 116. Ms. Dunn declined to discuss Wells Fargo's asset allocation strategies.

One TAA manager who stayed in stocks this year was Matrix Capital Management, Greenwich, Conn.

"We've been pretty much straight up in the stock market, and most tactical asset allocation managers missed that," said Michael Petrino, president of Matrix, which has $251 million under management in TAA products, an increase of 37.9% from the previous year. The firm's client base held steady at six.

Mr. Petrino, who said he has used TAA strategies for 10 years, said the firm had been close to the client equity targets and had anticipated the bull market. He said about $48 million, or 70%, of the $68.4 million increase in assets was the result of market appreciation.

Many managers have been reacting with caution to current market conditions and have been varying their asset allocation accordingly during the past six months.

"Tactical asset allocation is a capital preservation strategy," said Bruce L. Poliquin, vice president and director of client services at Avatar Associates, New York. "In bull markets, sponsors have to be cautious."

The firm allocates assets based on liquidity, or the degree of money flow in the economy. In the past month, Avatar has been moving out of stocks in response to what the firm perceives to be a tightening of the credit environment and a contraction of liquidity.

"We react to that by decreasing our commitment to stocks and bonds in our portfolio," Mr. Poliquin explained. Avatar gradually decreased its allocation to 65% stocks and 35% cash from 90% stocks and 10% cash. An alternate strategy invests 55% of assets in

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Managers with tactical asset allocation accounts ($ mils. as of Aug. 31)

Firm	1989	1988
Wells Fargo	11,614	9,087
Prudential	7,200	6,600
Mellon	7,100	5,500
Brinson Partners	6,000	4,800
First Quadrant	4,000	1,800
TSA*	3,514	3,325
Boston Co.	3,000	2,100
J.H. Ayres	2,200	2,000
J.P. Morgan	2,148	577
Avatar	1,800	1,300
Bankers Trust	1,800	1,700
Renaissance	1,790	1,578
Chancellor	1,700	1,176
Beacon	1,000	800
Webster	1,000	900
Chase Investors	410	310
Matrix	251	182
Bailard, Biehl	250	200
Davis, Weaver	100	0
Oxford	92	75
Schield	10	0
TOTAL	**56,979**	**44,010**

*Data as of Sept. 30

European buyers waste little time

By Margaret Price

SHEFFIELD, England — A new European buy-in fund, whose investors include eight U.S. pension funds, made its first acquisition before the fund's second closing officially occurred.

Officials of the MMG Patricof Group of London and Paris said a shell company owned by its new MMG Patricof European Buy-In Fund has reached an agreement to purchase James Neill Holdings PLC for approximately $124.8 million.

James Neill Holdings, Sheffield, England, manufactures hand and garden tools, industrial saws, measuring tools and other implements.

This purchase represents the first of what is expected to be six acquisitions — three in the United Kingdom and three in France over the next three years — by the approximately $324 million buy-in fund. The James Neill Holdings deal initially was all cash with no borrowing. The fund intends to refinance the transaction with some portion of debt as part of the package, said Alan Patricof, chairman of the U.S. operation of MMG Patricof.

The Patricof fund, which is denominated in European Currency Units, was expected to close formally late last week. The first closing was in March.

According to its managers, the buy-in fund is oversubscribed and has attracted 17 institutional investors from the United States and United Kingdom.

U.S. investors include the approximately $9 billion Common Fund, Fairfield, Conn., and the $2.9 billion Massachusetts Pension Reserves Investment Management Board, Boston. Each fund invested about $20 million.

Other U.S. investors are the pension funds of Union Carbide Corp., Danbury Conn.; Textron Inc., Providence, R.I.; Eastman Kodak Co., Rochester, N.Y.; IBM Corp., Stamford, Conn.; General Motors Corp., New York; and American Telephone & Telegraph Co., New York. Amounts invested by these plans were not revealed.

The MMG Patricof fund is designed to take a majority interest in companies with sales in the $160 million to $320 million range. As part of the deal, the fund would bring in its own management team to supplement management in the acquired company. Plans are to hold the companiei61for about five years.

The fund specifically seeks low-technology companies with leadership positions in their industries but whose profitability has faltered. All deals would be on a friendly basis.

"The fund is unique in two ways," said Ronald Cohen, chairman of MMG Patricof. "The fund concentrates solely in buy-ins, meaning that we are bringing management to companies as well as investing in them. And it's also the only fund in Europe that brings its partners into the company instead of managers who haven't previously been affiliated with the fund."

Supplemental mezzanine and senior debt will help finance individual transactions. But after the acquisition, companies should average only a 2-1 debt-to-equity ratio, com-

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Lowry out for new game

Consultant marketing again after substantial changes

By Barry B. Burr

ATLANTA — Lowry Consulting Group Inc. plans to begin its first marketing effort as a new and revamped unit of USF&G Financial Services Corp. after the loss of several pension clients and principals who provided ideas and brought in existing business.

It isn't clear if the clients left because of USF&G's acquisition, which ended the independent ownership of the firm — formerly named Lowry, Raclin, Harrell & Howerdd — or because of some doubts about the value of the consulting firm's disciplined asset allocation methodology, based on price-to-book ratio, according to interviews with executives of current and former pension fund clients and others.

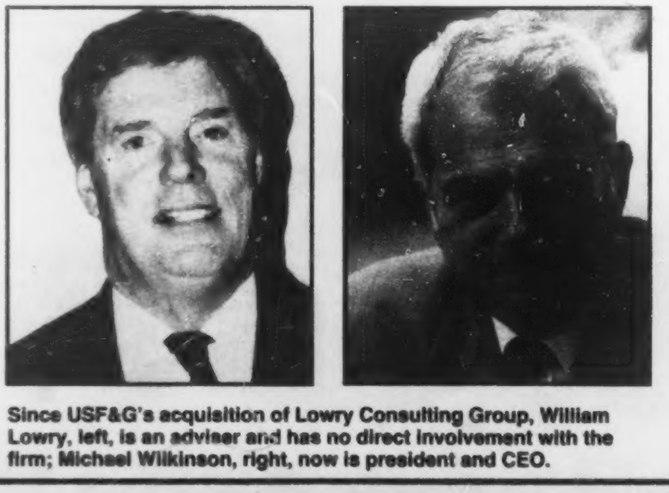
Before USF&G's acquisition, which was completed earlier this year, Lowry was one of the few major consultants offering only consulting services without ties to brokerage or money management services.

In the last year, Lowry has lost 10 corporate pension fund clients, according to its own reports.

American Cyanamid Co., Wayne, N.J., pulled its $1 billion pension fund from Lowry, although it left a subsidiary's $100 million pension fund, said Daniel Susik, manager-financial analysis and investments. He declined to identify the unit or elaborate on the change. Mr. Susik said American Cyanamid hasn't hired a consultant for the $1 billion fund.

Associated Milk Producers Inc., San Antonio, Texas, dropped Lowry for its $130 million pension fund to move to Harrell, Cooper Associates Inc., a Dallas consulting firm founded by Robert L. Harrell, a former shareholder in Lowry who left in 1988 after USF&G acquired a 40% stake.

"We were concerned with the possibility of conflict of interests, especially where they had responsibility for recommending managers and they have (money) management firms of their own," said Harry Pickens, controller.



Since USF&G's acquisition of Lowry Consulting Group, William Lowry, left, is an adviser and has no direct involvement with the firm; Michael Wilkinson, right, now is president and CEO.

USF&G owns Axe-Houghton Management Inc., Tarrytown, N.Y., which manages nearly $900 million in tax-exempt assets, and Chancellor Capital Management, New York, which runs $13 billion in tax-exempt assets.

Mr. Pickens said no such conflicts had arisen. He said the fund preferred to stay with Mr. Harrell, its long-time consultant.

Campbell Soup Co., Camden, N.J., dropped Lowry last year "due to a decision to find a better consultant" for its $600 million pension fund, said Douglas H. Springer, vice president-investment management. He declined to elaborate.

Campbell hired Strategic Investment Management, Washington.

Barnes Hospital, St. Louis, dropped Lowry earlier this year for its $60 million pension fund and $185 million endowment, said Robert L. Mueller, assistant treasurer.

"That was a decision made not due to any of the ownership changes," he said.

"They're a fine firm. We had good results from them. They helped us a great deal in getting us out of the (stock) market in 1987 on a timely basis" under the Lowry asset allocation model.

But since then, Barnes has kept a large part of both funds in fixed income. Mr. Mueller said Barnes executives believe Lowry isn't as comprehensive in consulting on fixed income. "We thought we could get better advice at a lower price," he said.

Earlier this year, Barnes replaced Lowry with DeMarche Associates, Kansas City, Mo.

The $32 million pension fund of the Mid-America Dairymen Inc., Springfield, Mo., dropped Lowry in the beginning of the year. It

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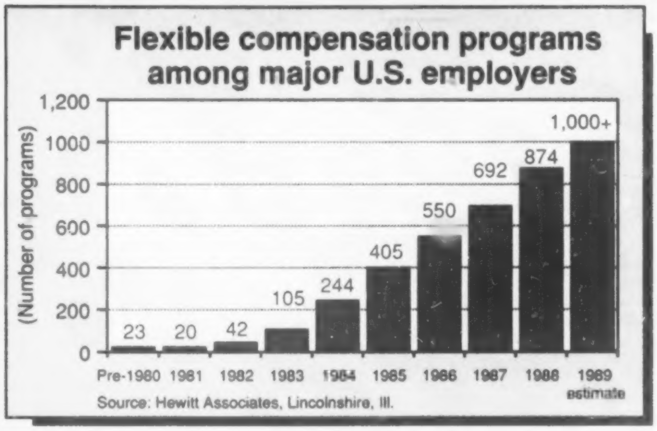

Source: Hewitt Associates, Lincolnshire, Ill.

Coming on strong

Flexible spending programs flourish

By Hillary Durgin

Employers who were distressed in March over proposed tax changes for health care flexible spending accounts, now are modifying their plans and embracing flexible benefit programs wholeheartedly.

The new regulations, scheduled to take effect Jan. 1, will expose employers to some financial risk by requiring them to provide full medical coverage to employees throughout the year.

Employers have realized that the risk isn't as great as they first thought.

"There was some thought that the regulations would wipe out" flexible spending accounts, said Tom Butterworth, a legal consultant with Hewitt Associates, Lincolnshire, Ill. "That hasn't been the case."

He said employers "are not abandoning plans, and new companies are embracing flexible benefits without getting bogged down with the regulations."

In a flexible spending account, an employer contributes to an account for each employee for the reimbursement of health care expenses. In some plans, employees also contribute through salary reduction plans. The amount in the account is used to pay for hospitals; doctors, dentists and psychiatrists; prescription drugs; and vision care.

Flexible spending accounts operate in three ways:

- **Accrual**: An employee builds up an account balance during the year that is used to pay bills as they occur. If the account balance is too small to pay an entire bill, only part is paid.
- **Advance payment:** The employer pays to the employee whatever level of coverage has been agreed upon. At the end of the year, the employee submits the bills he or she has paid. Any unused amount is reported as taxable income.
- **Uniform coverage:** The employee gets full coverage throughout the plan year. Bills are reimbursed as they are submitted, no matter how much the employee has "contributed" to the account at that point.

Under the new regulations, only the uniform coverage approach will be allowed. Thus, employers would be required to provide full coverage throughout the year, even if the employee does not have the money in his or her account.

The danger is that if an employee leaves a company early in the year, after having incurred major medical expenses without having the necessary money in his or her account, the company must absorb the expense.

Yet despite the proposed changes, most employers are holding on to their plans, and

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Cash balance plans a hit

'Unorthodox idea' embraced by more and more employers

By Diane Hal Gropper

Despite early criticisms, cash balance plans have caught on with some of the largest corporations in the country.

Since Bank of America became the first major employer to adopt a cash balance plan in July 1985, many others have followed, including: Borden Inc., Colgate-Palmolive Co., RJR Nabisco Inc., Xerox Corp., General Signal Corp., BP America, Chase Manhattan Bank, Georgia-Pacific Corp., C&S Corp., Sun Co., Cooper Industries Inc., Continental Can Inc. and Equitable Life Assurance Society of the United States.

Judging from the number of cash balance plans benefit consulting firms say they have set up, it appears that close to 100 companies have made the switch from a defined benefit plan — not bad for an unorthodox new idea.

When the cash balance plan made its debut a few years ago, it didn't exactly get rave reviews.

Everyone agreed it was a clever way to make a defined benefit plan look like a defined contribution plan; the benefit promise was expressed not as a function of far-off final pay but as an account balance that vests quickly and steadily grows over time in line with pay and guaranteed interest credit. Between that and the larger benefits the cash balance plan delivered to short-service workers, it was clear the new hybrid would be a hit with most employees.

Still, it was criticized as a trendy idea that ran contrary to corporate America's long-standing preference to reward long-term service. Detractors predicted it would never make much headway, no matter how hard Kwasha Lipton — the benefits consulting firm that introduced it — promoted the idea.

No one is more gratified to see the progress than Lawrence Brennan, the Kwasha partner who created the cash balance plan. He's not surprised it's winning converts because he firmly believes it offers tremendous advantages over the traditional defined benefit plan. Even Kwasha itself has one of the plans.

But its growing acceptance also pleases him because it silenced the criticism, which primarily came from fellow benefit consultants. The success, he said, "makes up for the comments we got from other practitioners at the time."

Lawrence Brennan is pleased with the success of his cash balance plan creation.

Today all benefit consulting firms include a cash balance type of hybrid in their plan design arsenals, and a few have even taken to marketing it under their own brand names. TPF&C calls it the pension equivalent reserve credit product, or PERC; Martin E. Segal Co. has a similar product called the minimum balance plan.

The plan has gotten a boost from an unexpected source — the Tax Reform Act of 1986. Tax reform has necessitated extensive pension plan redesign thanks to the new vesting, coverage and integration rules it mandated, all of which took effect this year.

Many companies figured that "if they have to do everything over anyway, they might as well sit down and consider other plan designs," said Marvin Green, practice leader for qualified plans at TPF&C.

Growing numbers of employers are deciding to convert to cash balance plans because they better meet the needs of today's work force. Defined benefit plans skew pension payments toward long-service workers by accruing benefits on an age-related basis, which means older employees earn them at a faster rate than young employees. But most workers don't spend their entire careers at one company, and many change jobs so frequently they never vest in a pension plan. Even if they do stay long enough to vest, their benefits are frozen at departure and are corroded by inflation over time.

The cash balance plan in its classic form accrues benefits at an equal pace regardless of a worker's age; all workers get the same percentage of pay — typically 4% to 6% annually — credited to their accounts. This redistributes benefits from older to younger employees, who can take their bigger slice of the pension pie with them when they leave because participants vest quickly (five years was the norm even before tax reform) and the plans offer portable benefits.

Philosophically, not all companies feel comfortable with that kind of benefit redistribution.

The businesses that take best to the cash balance plan are those that don't expect most of their employees to stay until retirement, said Donald Hasbargen, a partner at Hewitt Associates, Lincolnshire, Ill.

Work force issues were a major factor in Equitable's decision to switch to a cash balance plan; it took effect this year. Robert Sjogren, vice president for employee benefit design and administration, said his company feels it is a "fairer approach" because its own analyses have shown that 90% of Equitable's employees less than 40 years old won't stay until retirement.

"We also know there will be a shortage of skilled labor in the 1990s and the next century, and we think this plan will make us more competitive in the labor market," Mr. Sjogren said.

Some companies like the basic cash balance idea but don't want

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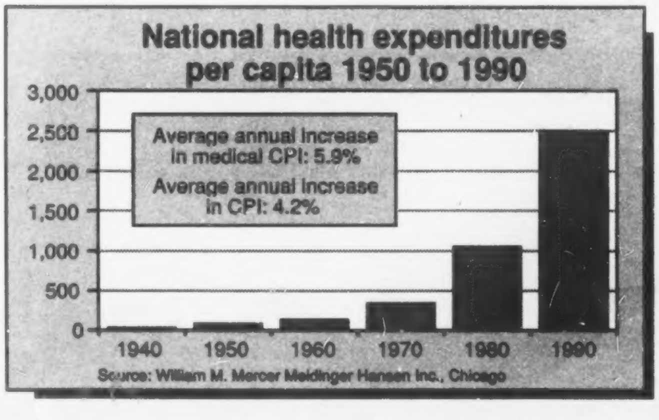
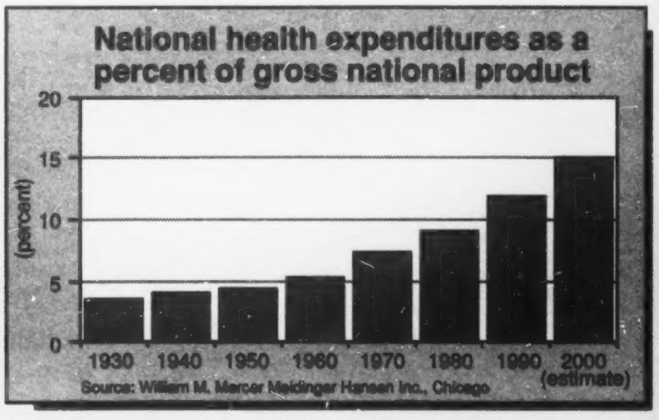
Health care a hot topic for the '90s

By Fred Williams



Source: William M. Mercer Meidinger Hansen Inc., Chicago



Source: William M. Mercer Meidinger Hansen Inc., Chicago

Health care issues likely will replace pension issues as the primary employee benefits topic of the next decade.

The reasons:

- Health care costs are rising dramatically for both active and retired employees.
- The ratio of active employees to retired workers is declining.
- Massive unfunded liabilities for retiree medical care have been building up, complicated by the proposal by the Financial Accounting Standards Board to replace pay-as-you-go accounting with accrual accounting for future retirees' health benefits.

If the FASB proposal is adopted, "it would translate to significant reductions in net income, probable reductions in tangible net worth and possible reductions in shareholders' equity.. . . The related annual expense for the typical employer will quadruple and the debt/equity ratio of many companies will be affected significantly and, in some cases, dramatically," David M. Walker said at a recent gathering of pension executives. Mr. Walker is partner and national director-compensation and benefits practice for Arthur Andersen & Co. and former assistant secretary of labor for pension and welfare benefit programs.

Adds a report from the consulting firm of TPF&C, New York, "the top 100 industrial companies in the aggregate could experience a 25% reduction in profits, for a total of $17 billion" if the FASB exposure draft is adopted.

The furor over the impending FASB proposal has caused many

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Programs flourish

Continued from page 17

making few or no modifications.

According to a survey conducted by A. Foster Higgins, a Princeton, N.J.-based management consulting firm, of 253 companies that offer flexible spending accounts, 47% will leave their plans alone. Another 33% will continue to use flexible spending accounts but will reduce the maximum amount employees can contribute to these accounts. The remaining 20% said they will eliminate their plans because of the regulations.

"Employers' comfort level in being able to administer a flex plan that employees will accept far outweighs their fear that Congress is going to derail the whole idea," said Michael Taggart, principal at William M. Mercer Meidinger Hansen Inc., New York.

A flexible benefit plan is a program under Section 125 of the Internal Revenue Code that offers employees the choice between taxable benefits (including cash) and non-taxable benefits such as health and life insurance, vacation pay, retirement plans and child care. The employee decides how his or her benefit dollars are to be allocated for each type of benefit from the total amount promised by the employer.

Flexible benefit plans, also called cafeteria plans, have become increasingly popular as employers search for ways to boost employee recruitment and retention while containing costs.

More employers implemented flexible compensation plans in 1988 than in any other year in the past decade, according to a January 1989 survey by Hewitt Associates. Some 250 programs were added, bringing the total to 942, up 36% from last year's total of 692.

Many employers say flexible benefits programs provide advantages that outweigh the potential risk posed by the new Internal Revenue Service regulations. Plus, under "use it or lose it" rules, employers automatically get the money remaining in employees' flexible spending accounts at the end of the year.

"The forfeitures will probably more than offset any of the abuses that might occur," said Dennis Habrat, director of compensation benefits at Brush Wellman Inc., Cleveland. The manufacturing company's plan, introduced in January 1988, covers all 2,500 employees.

Brush Wellman does not plan to modify its FSA account in response to the new regulations, Mr. Habrat said. While employees are allowed to save up to $5,000, they save on average "something less" than $1,500 to $2,000, he said.

"Between the forfeitures savings and the FICA tax saving, those two elements are almost double what the projected loss is for the employers under the new regulations," said George Faulkner, a managing consultant at Foster Higgins.

As a precautionary measure, many employers are reducing the maximum that employees can contribute to the flexible spending account. At Chemical Bank, New York, the ceiling will be lowered to $2,000 from $5,000, said Mark J. Schneiderman, senior vice president in charge of human resources.

Chemical, which introduced its plan earlier this year, has 17,000 employees enrolled. Next year, close to 30,000 will be enrolled, Mr. Schneiderman said.

Flexible benefits makes sense for Chemical because of its recent acquisitions, he added.

"A flexible benefit plan allows us to assume subsidiaries much more easily," Mr. Schneiderman said. The structure of a flexible benefit plan enables companies that merge to bridge their historic benefit structures more easily.

But some employers are concerned about the legislation.

"The regulations have been changed to let a company be at tremendous risk," said Ben Crawford, vice president of human resources at General Time, a clock manufacturing company in Atlanta.

The company, which has not yet told its employees of the new regulations, plans to reduce the maximum that an employee can contribute to $1,500 from $5,000.

General Time, which kicked off its flexible benefit plan in January, has 750 employees.

"We had already gotten sensitive to the fact that a benefit plan that's designed for the average person does not work," Mr. Crawford said.

"Our objectives at the beginning were to provide better coverage — to provide choices, some control over their benefits. But as we got into it, we realized we could save substantial money for the company by not providing everyone with the same benefits."

At Valero Energy Corp., San Antonio, Texas, a flexible benefit program has allowed the company to harness its medical costs, said Bob Taylor, director of compensation. "It kept our medical expenses from rising for about three to four years," he said. Mr. Taylor implemented the plan for the company's 2,000 employees in June 1984.

Employee benefit consultants say that next to meeting employee needs, containing health costs is the primary objective in implementing flexible benefit plans.

"The impetus for growth in flex is the continued increase in medical care costs," said Mr. Taggart of Mercer Meidinger.

According to a 1988 survey conducted by Foster Higgins of 793 companies with 1,000 or more employees, 35% adopted flex plans to meet the diverse needs of their employees and 33% installed plans to contain health costs.

Flex plan sponsors spent $2,280 per employee in total health care costs in 1988. Traditional plan sponsors spent 9% more. ■

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Suppliers targeted

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company hammered out with 150 different hospitals saved $3 million to $5 million between mid-1988 and mid-1989, the first full year they were in effect.

But the biggest recent development in cost containment is a new form of managed care known as the open-ended HMO or the point-of-service network, which is a cross between an HMO and a PPO.

The basic premise is that doctors and hospitals in these networks have strong financial incentives to provide cost-efficient care. Doctors might be given per-patient budgets, for example, or get bonuses if claim costs meet pre-set targets. If they don't meet their cost control targets, they are penalized through payment reductions.

Employees don't have to use these networks, but are reimbursed at much lower rates if they go to non-network providers. Each time they enter the network, they go to a primary care physician or "gatekeeper," who orchestrates their care and determines if expensive speciality services are needed. The insurers or managed care firms who run these networks often have profit- or loss- sharing arrangements with companies and hence are especially motivated to control cost.

Southwestern Bell Corp., St. Louis, was one of the first companies to go this route. Since it began in July 1987, the company's point-of-service network has been expanded to cover 13 cities and 65% of its active workers and retirees. The only network expense for employees is a $5 office visit charge. But if they go outside the network, they pay a $300 individual deductible and 20% of all charges.

Results so far are impressive. Southwestern Bell's medical costs rose by roughly 12% last year, compared with an average annual increase of 20% in the early 1980s and 30% for companies in general last year. In 1989, it expects an increase in "the single digit range for the first time in many, many years," said Craig Campbell, associate director of benefit planning.

Other companies using point-of-service networks include Allied-Signal Inc., Procter & Gamble Co. and First Interstate Bank of California.

The list of companies that have either gone or plan to go this route "reads like a Who's Who directory," noted Mr. Leisure of TPF&C.

Of course, these networks have their downside. In trying to meet their cost control targets, providers may tend to undertreat patients. It's also hard to hold down utilization levels, in part because network expenses for employees are typically set at negligible levels in order to draw them into the cost-efficient network environment. Some networks have had unsatisfactory cost results for this reason.

But as Steven Shulman, a principal at Value Health, Avon, Conn., a firm which principally manages network of providers, pointed out, undertreatment and utilization problems can be avoided if network providers are carefully selected and continuously monitored. And since people are free to leave the network whenever they wish, point-of-service systems have "an internal check and balance on the quality of care as perceived by employees," said Mr. Shulman.

Yet another strategy being tested involves focusing special cost containment efforts on certain benefits whose costs have been rising especially quickly — most notably, prescription drug and mental health and substance abuse benefits.

A network of providers, often of the point-of-service variety, is set up to deliver these carved-out benefits.

Chevron, for example, was dissatisfied with the cost and quality of the mental health and substance abuse care its employees were getting, so it carved these benefits out of its indemnity plan and HMO contracts at the beginning of this year. A new point-of-service network run by American PsychManagement is providing these benefits at a per-participant cost that's about 20% lower than under the old arrangements, even though the quality of care is better and more people are using it. "We are more efficiently providing that care," says Chevron's Mr. Ross.

In July, the company also opened a pilot point-of-service network covering all benefits (except mental health and substance abuse) for its employees in the Houston area.

Looking ahead, companies eventually will benefit from new medical or patient outcomes research, which tries to set guidelines for appropriate care by determining which procedures, medicines and methodologies work best in treating various conditions. This work is vital to cost containment since it is estimated that up to 25% of all procedures performed are unnecessary.

Some network managers are beginning to disseminate this research to the providers in their systems to help them more efficiently manage cases. And once accepted guidelines are developed, insurers and even employers will be able to use them in selecting providers they wish to deal with and in questioning payment for inappropriate care.

Will these new approaches as a whole succeed in containing medical benefit cost increases over the long-run? No one claims they are the ultimate answer. And even if they do wring a lot of the inflation out of the health care system, the underlying inflation trend line still has a steep upward slope, thanks to the ongoing development of expensive new technology.

But even so, many people have high hope for managed care vehicles such as HMOs, PPOs and especially point-of-service networks, because they transform providers from adversaries into partners in the cost control process.

"We have the tools," concludes Value Health's Mr. Shulman, "Now we just have to learn how to fine tune them." ■

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UPDATE

Cash flow declining

Corporate free cash flow is expected to decline in 1989, Merrill Lynch Capital Markets predicts.

Free cash flow and the financing gap both measure the difference between corporate cash flow and capital spending. Free cash flow is based on Standard & Poor's Corp. per share values; the Federal Reserve calculates the financing gap on the basis of GNP data.

The two measures tend to move together. But in 1987, they diverged, according to a recent report from Merrill's global securities research and economic group. Free cash flow jumped from a negative to a positive value, and the financing gap widened.

The financing gap became more negative in 1988 and the first half of 1989. Free cash flow remained positive last year. Merrill Lynch thinks it will drop for the full year.

Gains from asset sales appear to account for the difference between free cash flow and the financing gap. Such gains are part of earnings per share but are excluded from GNP measures of profits.

Merrill believes corporate earnings momentum is fading. Despite continued economic growth, the report said profit margins are being squeezed, and corporate profits are declining.

The report said asset sales may have boosted earning per share as much as $3.50 in 1988, up substantially from levels in previous years. But write-offs reduced earnings per share by $1.72 last year, by 92 cents in 1987 and by $2.41 in 1986. Asset sales appear to have increased earnings in 1987

Continued on page 58

A&W Brands bubbling with possibilities

Interest among institutional investors for other soft drink companies goes flat

By Marcia Parker

WHITE PLAINS, N.Y. — Up against giants of the soft drink business like PepsiCo Inc. and Coca-Cola Co., little A&W Brands Inc. has a big challenge ahead.

Not only is competition fierce, but the industry is experiencing a slowdown in soft drink volume growth, and investor interest seems to be ebbing in the stocks.

Soft drink holdings by institutions peaked at midyear. As of June 30 — just prior to the reversal of favorable relative performance trends — the institutional holdings of all major soft drink equities reached record levels, according to Kidder, Peabody & Co. In addition, soft drink stocks generally are viewed as overvalued by many analysts and investors right now.

Although many of the beverage industry leaders aren't getting buy recommendations from Wall Street, A&W continues to have a strong following among analysts and investors. Zack's Investment Research, Chicago, says it is recommended by three analysts.

Hicks & Haas is the Dallas buyout firm that bought A&W from a private investor group in May 1986 from a private investor group for $70.2 million. Its partners have split, but the original partnership still owns 11% of A&W. United Brands owns 7.8%, and has said it may sell its stake.

As of June 30, A&W was 56% owned by institutional investors, according to CDA Investment Technologies Inc.'s Spectrum survey. Among the largest of these investors are Aetna Life & Casualty Co., Fred Alger Management Inc., the California State Teachers' Retirement System, Jennison Associates Capital Corp., Putnam Management Co., TCW Asset Management Co. and Wells Fargo Bank.

Ginger Risco, analyst, Fred Alger Management, New York, said the company has a "great business. They sell, concentrate, have very little overhead and very good cash flow. The have done an excellent job with their brands. They have a fantastic niche."

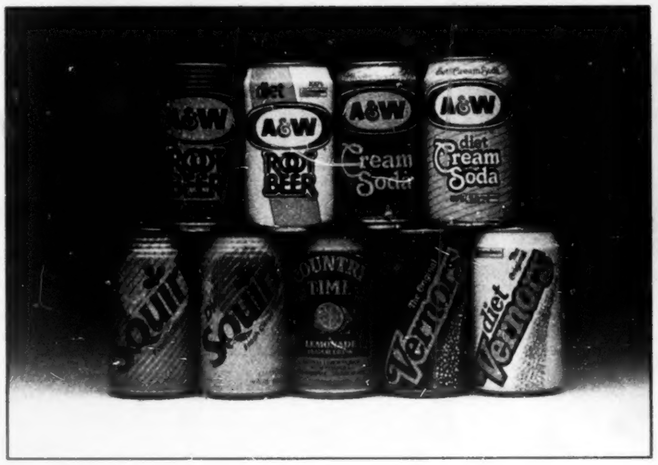
The soft drink company that is best known for its A&W Root Beer is focusing on how to outmarket its rivals, scouting for acquisitions and studying options for investing its substantial excess cash flow.

"We're at a crossroads of finding a meaningful use of our cash flow," M.L. Lowenkron, A&W's president and chief executive officer, said in an interview.

A&W just paid off its senior debt — in less than two years — and has a large untapped credit line from Chase Manhattan Bank. It's an enviable position for a company to be in at a time when leverage is a bad word in corporate America.

Mr. Lowenkron said the company is considering several options.

"We can acquire companies that have synergies with A&W and stay in the business we know well — and we're prepared to do that — or move into another growth area," he said.



A&W Brands, having repaid its senior debt, has positioned itself to take on some of its larger competitors in the soft drink industry.

"There are also expansion opportunities in the (United States) with Squirt, Vernors and A&W Cream Soda, and international opportunities that we can accelerate in Central, South and Latin America; the Far East; Japan; and other countries."

Also being examined is the possibility of a recapitalization or offering a substantial dividend to shareholders. Another is to borrow money at today's reasonably low rates and pay down higher interest rate debt. The 1990 company strategic plan should be presented at the board of director's December meeting, Mr. Lowenkron said.

For the year ended Dec. 31, 1988, A&W had $102.4 million in sales and $7.5 million in net income. The 1989 second quarter was the largest sales quarter in the company's history; net earnings were up 42% and operating cash flow increased 29%. Third quarter results, which are expected to be even better, will be released this week. A&W expects 1989 operating profits to show record sales and improved earnings and operating cash flow this year compared with 1988.

A niche player in an industry dominated by giants with loyal consumer followings and sales and revenues that far surpass its own, A&W markets nine soft

Continued on page 60

Total investment banking fees paid

Amount	Total companies	Total industrials	Large industrials	Total utilities	Bank holding companies	Thrift institutions
None	10%	5%	2%	7%	10%	20%
Under $100,000	11	8	5	11	21	12
$100,000 - 200,000	9	7	5	8	13	10
$200,001 - 300,000	5	5	3	2	6	6
$300,001 - 400,000	2	1	*	2	5	3
$400,001 - 500,000	4	4	4	3	4	5
$500,001 - 600,000	3	4	4	5	1	5
$600,001 - 700,000	1	1	1	1	2	2
$700,001 - 800,000	2	1	1	3	2	1
$800,001 - 900,000	1	*	0	1	0	0
$900,001 - 1 million	3	3	3	6	1	2
$1.01 - 2 million	10	10	13	15	11	8
$2.01 - 3 million	5	5	6	8	3	4
$3.01 - 5 million	6	8	12	7	6	5
$5.01 - 10 million	6	8	11	4	7	1
$10.01 - 15 million	3	4	3	3	1	1
Over $15 million	4	6	8	3	2	2
No answer/uncertain	14	17	16	12	7	14
	$ thousands					
Mean (including none)	$3,958	$5,565	$7,343	$2,348	$1,763	$1,138
Median (including none)	550	1,500	1,500	950	250	250
Mean (excluding none)	4,488	5,951	7,553	2,540	1,963	1,478
Median (excluding none)	950	1,500	2,500	950	350	450

* less than 1%
Source: Greenwich Associates, Greenwich, Conn.

Corporations are paying higher investment banking fees

GREENWICH, Conn. — Total investment banking fees paid by the typical industrial corporation averaged $5.6 billion during the year ended Aug. 31, up 28% from last year, Greenwich Associates reports.

Pronounced gains occurred among Fortune 400 and 500 industrials, whereas fees paid by the 300 largest industrials increased by only 8% to $7.3 million.

On average, industrial corporations paid merger and acquisition fees of $2.7 million during the past year, up by nearly 60% from last year.

Increases with Fortune 400 and 500 companies account for much of the rise, since M&A fees paid by the 300 largest industrials were up by 25% to $3 million. In aggregate, each company pays one half or more of total fees to a single investment bank.

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September 1989

Poland set to embrace ESOPs

By Leonard J. Hollie

Although employee stock ownership plans have been very popular in Western Europe, particularly the United Kingdom, Eastern Europe has largely ignored the concept.

Now however, Poland, which recently named its first non-Communist government since World War II, is poised to install ESOPs in a variety of industries as a means of privatizing its government-dominated economy.

"ESOPs have proven to be an effective means of corporate acquisition in the (United States). Why not use them to acquire state-owned enterprises in socialist countries?" queried Leon Irish, a partner with Jones, Day, Reavis & Pogue, Washington, during a recent conference on global ESOPs. Mr. Irish specializes in employee benefits and international law.

"The idea of ESOPs is popular in Poland because it is seen as a tool to wrest control of the economy from the state," he said.

Mr. Irish and other observers said it seems ESOPs could fit well with the political theories of both capitalist and socialist countries.

"In socialist countries, ESOPs could put the means of production in the hands of the workers, a major tenet of Marxism," said Mr. Irish. "There is also the theme of social justice in socialist countries."

"ESOPs have a great future in socialist countries; the first two ESOPs were formed in Russia" before World War I, said James Zukin, a principal of Houlihan, Lokey, Howard & Zukin Capital, Los Angeles. Mr. Zukin has been involved in many of the major ESOP leveraged buy-outs in recent years.

In Poland and other Eastern European countries, there are both problems and opportunities for Western investors.

Poland, a country with 27 million people, has an overwhelming debt, owing $40 billion to foreign debtors, including the Soviet Union. Some 94% of Poland's economy is owned by the government; the rest is in private hands.

"We have seen, and the communist countries are now finding out, that state ownership does not work in socialist countries," said Mr. Irish. "It's inefficient and it's impossible to set market prices centrally. You also can't tell if a profit is being made in a state-owned enterprise."

"We had a customer who wanted to put together a deal in Poland, but he couldn't find any of the company's financial statements," said Mr. Zukin.

And there are other problems in Poland for Western investors: The industrial base is sub-standard; there is no convertible currency; there is no banking system as it is known in the West; the country is politically unstable; and there is a language barrier.

However, with an infusion of U.S. government aid, money from international organizations and the political opportunity in Poland to restructure the economy, U.S. investors seem at least willing to investigate investment opportunities. Lucy Swiatkowski, a consultant with the World Bank, said scores of consultants from American companies are pouring into Poland. This interest was spurred in part by the new Polish political order and economic exigencies.

But the interest among American consultants also is being fueled by a Congressional bill that would give $100 million to Poland to support a Polish-American Enterprise Fund. The bill also seeks $25 million for a Hungarian-American Enterprise Fund for Hungary, which selected a non-Communist government for the first time in more than 40 years earlier this month. Named the "Poland and Hungary Democracy Act of 1989," the bill is designed to promote democracy and reform in those two countries through development of the private sectors, labor market reforms and environmental protection, among other changes.

That amount does not include the $1.4 billion in aid promised by President Bush over the next two years to both countries. And, the International Monetary Fund and the World Bank will invest about $300 million in both countries each year, for two years, Mr. Irish said.

"Polish Solidarity leaders feel they have a certain amount of time to prove to themselves, Polish workers and foreign investors that the economy can be saved," said Ms. Swiatkowski. "They feel that ESOPs must be in place by next year to keep the Communists from wanting to regain control of the economy."

Though it is too early to assess the needs of the Hungarian economy and how they would use the ESOP concept, Ms. Swiatkowski said the Polish economy had needs in several areas: foreign investors' economic expertise to run the companies; convertible capital; and in making companies competitive on the world market and to operate independently of the Communist government.

Ms. Swiatkowski said under the ESOP plan Solidarity is considering, several key enterprises would remained state-owned, but most would be transferred to employee ownership or to joint ownership between ESOP and the state or an ESOP and a foreign investor. ■

Turnover issues get a hearing

By Joel Chernoff

WASHINGTON — Pressures are building on Capitol Hill to use the tax system to discourage short-term turnover of stocks, but pension fund executives believe legislators and business executives are blaming the victim of recent changes in the market structure.

While some speakers before an Oct. 2 hearing of the Senate Banking Committee's securities subcommittee favored imposition of a tax on short-term gains by pension funds to discourage short-term investment behavior others said such a tax would be harmful, suggesting either a transfer tax or no tax at all.

The tone of the hearing reflected a new perspective in dealing with the tensions between corporate management and institutional investors. Instead of the traditional focus on "corporate accountability," experts now are discussing "the responsibilities of share ownership," said Sen. Christopher Dodd, D-Conn., who chairs the subcommittee.

Sen. Dodd later said, however, he did not have any ready responses of how to deal with this issue. "I certainly do not have any preconceived notion of legislation in this area."

Nevertheless, others clearly favored imposition of a tax on short-term gains.

Sen. Nancy Kassebaum, R-Kan., who has proposed legislation that would create such a tax, said that even if only 20% of institutional investors are turning over their stock portfolios at annual rates of 100% or more, that is "too much," and is "not healthy for our economy."

A background report prepared for the panel revealed that some money managers have annual turnover rates as high as 400%.

Selected stock managers with high portfolio turnover
(Year ended June 30)

Firm	Number of stocks	Size of portfolio ($ millions)	% turnover
Westridge Capital*	10	86	398.7
Dean Witter	30	24	365.1
Spear, Leeds & Kellogg	120	64	332.1
Merrill Lynch	91	58	313.6
PaineWebber	1,371	638	260.6
Alpine Associates	61	534	216.8
R. Meeder & Associates	107	51	216
Michael H. Steinhardt	219	1,715	184.3
Strong/Corneliuson	240	2,247	167.3
Hellman, Jordan	56	874	143.5

*Data for one quarter not available
Source: CDA Investment Technologies' Spectrum, Silver Spring, Md.

Andrew Sigler, chief executive officer of Champion International Corp., Stamford, Conn., who favored a short-term tax, told the Senate panel institutional investors are focusing on the short-term outlook to the detriment of business' ability to invest for the future. If companies don't produce earnings today, they risk being taken over and broken up, Mr. Sigler said.

Willingness of institutional investors to sell their shares when a company's near-term earnings potential might be marred by corporate investment has had "a very negative impact" and "will get worse," he said.

Instead, it is time to look at "the responsibilities of ownership," he said.

Mr. Sigler advocated taking a broader view on how institutional investments affect corporations, employees and others. Corporate America has to "own up to the fact that in many respects, we are our own worst enemy," Mr. Sigler said. He explained employees are dependent on their employers' continued existence so they can receive a pension upon retirement.

Mr. Sigler tried to deflect impressions that he is out to blame pension funds, saying instead changes in the system are responsible. "There are no bad guys," he said.

Robert G. Kirby, chairman of Capital Guardian Trust Co., Los Angeles, said some kind of graduated capital gains tax, including a short-term tax on tax-exempt investors, would help convert institutions to investors from speculators. "Every company can be put in play under the present rules, and there's no way to stop it."

New York State Comptroller Edward V. Regan, sole trustee for the $41 billion New York State & Local Retirement Systems, Albany, opposed taxing pension funds on short-term gains.

Rather, he prefers a transfer tax of one-half of one percent of transaction size, for example, on all stock purchases and sales as a means to discourage high turnover.

Sen. Kassebaum, however, said a securities transfer tax had gone over "like a lead balloon" before the Senate Finance Committee.

Connecticut State Treasurer Francisco L. Borges, who oversees the state's $8 billion pension fund, opposed any type of taxation, arguing that most pension funds invest for the long haul, citing Connecticut's 11% annual turnover rate.

Instead, he argued attention should be focused on "the buccaneers of the system" — Wall Street bankers, speculators and corporate managers. "In large measure, we are punishing the victims," Mr. Borges said. "We are not the individuals who are initiating these transactions." ■

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Continued from page 1

merchant banking firm of SG Warburg, New York.

"The difficulty people have in putting together junk bond financing (for acquisitions) is going to help" ADR financings, he said. "It is more probable and possible to put together these deals now."

Mr. Keevil agreed that although there hasn't been a large-scale movement toward the use of ADR financed acquisitions, "the opportunity is better now, particularly where all-cash transactions may be more dilutive. Many European companies want to broaden their (stock) ownership, and will look to using their stock for (U.S. acquisitions). There is greater interest now, and we will likely see several more of these type of deals in the next couple of years."

Joseph Velli, director of ADRs at Bank of New York, said he doesn't expect to see a landslide of deals using the receipts. "Cash is still king. I expect to see three to five of these transactions each year. We'll see them where there's a friendly deal or where it's a supplement to a cash payment," he said.

Investor interest also is driving the growing use of ADRs. Institutional investors are big buyers of ADRs, as they move rapidly into global investments. The top 10 holders own more than $4.7 billion of ADRs, according to Carter Valin Pollen, the investor relations division of the Carter Organization Inc., New York, which conducts stock surveillance and investor relations for companies with ADR programs.

The institutions are: CIGNA Corp., with $980 million; Delaware Management Co., with $738 million, FMR Corp., $522 million; Manufacturers National Corp., $501 million; Capital Guardian Trust Co., $501 million; Wellington Management Co., $386 million; the California Public Employees' Retirement System, $369 million; INVESCO Capital Management, $239 million, Alliance Capital Management L.P., $232 million; and IDS Financial Corp., $227 million.

John Seiter, senior vice president of Capital Guardian, said the firm views ADRs "very positively. We consider them an effective alternative in a non-U.S. equity portfolio where sometimes there is a greater advantage to owning ADRs than the underlying stock due to imbalances in the ADR and the underlying stock prices. We encourage our equity clients to allow us to use ADRs." He said ADRs also are used sometimes in domestic equity accounts when authorized.

"If we have the flexibility to buy a world-class company, we will do so where we can," Mr. Seiter said.

Observers point to the use of ADRs as a way to finance acquisitions with minimal time delays and fewer regulatory drawbacks than using foreign stocks. That's because ADRs are registered with the Securities and Exchange Commission and represent title to a specified number of foreign shares. There are currently about 800 ADR programs in U.S. markets, but fewer than half of those companies are actively traded and considered liquid enough to be of significant interest to institutional investors.

Foreign investor interest in U.S. markets has been amply demonstrated in recent years. According to the Securities Industry Association, New York, foreign investors held nearly $200 billion in U.S. equities at the end of 1988. Direct foreign investment in U.S. companies through acquisitions has been on the upswing, and the unification of the European markets in 1992 could stimulate additional use of ADRs as a vehicle to raise capital and in the merger and acquisition arena.

Besides the Kyocera/AVX deals, there have been several other mergers or acquisitions financed with ADRs. For example, Akzo N.V., a Dutch chemical company, used 3.1 million ADRs to help finance its purchase of Reliance Universal Inc., Louisville, Ky., a unit of Tyler Corp., Dallas, in a stock-for-stock transaction. (*Pensions & Investment Age*, June 12).

"ADRs can be a very useful instrument in mergers and acquisitions, but we haven't seen a wave of them yet. But the general consensus in the ADR industry is that there are likely to be some more of these types of deals in some fashion," said Robert C. Hubbell, executive vice president of Carter Valin Pollen.

Mr. Hubbell said ADR mergers or acquisitions probably will be confined to friendly deals, such as the Kyocera stock swap.

ADRs also are used to sweeten acquisitions using cash. When British Petroleum agreed to purchase the remaining shares of Standard Oil of Ohio that it didn't already own for $7.5 billion in 1987, it "tacked on a warrant to allow Standard shareholders to purchase BP ADRs to sweeten the deal," Mr. Hubbell said.

Standard Oil stockholders received BP shares and a warrant for one British Petroleum ADR for each Standard Oil share they owned.

Stock options, he said, make such deals more attractive to U.S. employees of foreign subsidiaries because ADRs are more liquid than the underlying shares of a foreign company.

While ADR transactions are less complicated, their use requires extensive SEC reporting and may be slower than using cash. But for cash-strapped companies or companies not wanting to take on a heavy debt burden, the ADR transaction might be the best alternative.

The use of ADRs helps foreign companies "avoid using up cash or borrowing capabilities and allows them to trade on the fact that they have a good securities market at home," said Edward Davis, attorney and partner at the firm of Hughes Hubbard & Reed, New York, which helped facilitate foreign acquisitions using ADRs.

Last year Attwoods PLC, a British waste management firm and one of Mr. Davis' clients, acquired Eastern Waste Industries using ADRs.

A year before the acquisition, he said, Attwoods ADRs were registered with the SEC and began trading on the NASDAQ, "which gave them a high degree of prominence and visibility."

Mr. Davis said ADR-financed acquisitions "frequently" can be structured to avoid capital gains taxes until the shares are sold, thus providing a tax advantage to such deals.

Mr. Davis said acquisitions using ADRs simplify the process for foreign companies interested in U.S. companies.

"If you use your own stock, it is much more difficult because of the regulatory process in the SEC and the (stock) exchanges. It is an abbreviated process for companies to come in here and use registered ADRs," he said.

While it may be too early to call ADR acquisitions a trend, Mr. Davis said the trend is coming.

He said there is "strong interest" by foreign companies in buying U.S.-based companies because "this is an existing, unified market, and they want to have the ability to sell a single product in Texas and in New York." ■

Florida

Continued from page 2

issues as the annual contribution required to fund a particular defined benefit plan.

One of the committee's primary considerations was concern that public harm might result from the involvement of non-legal professionals in the pension area, Ms. Bateman said. "Our legal opinion was that there were certain areas that non-lawyers needed to be involved in and there were areas that lawyers should be involved in," she said. "It's really a legal question — 'Is it the unlicensed practice of law?' "

In its opinion, The Florida Bar states the proposed guidelines would serve the public interest by restricting non-legal professionals, who lack the legal expertise to evaluate the tax implications of a pension plan on other areas of a company's operations, such as estate tax or probate planning.

In addition, the public would be protected from professionals who are not bound by the legal ethic that is part of the attorney-client relationship. Some professionals might be motivated by the sale of the product rather than by the plan itself, the opinion stated.

Briefs filed in response to the opinion protest what actuaries, employee benefits consultants and accountants nationwide view as an unreasonable attempt to usurp their responsibilities and, at the same time, deny employers of qualified services.

"That's all it was — a test of the self-interest of the members of the Florida Bar in their attempt to stake out an actuarial role for themselves only," said Richard Raskin, a consulting actuary with The Wyatt Co., New York.

Wyatt didn't file a brief, but helped draft the brief filed by the Association of Private Pension and Welfare Plans, a Washington lobbying group.

Mr. Raskin said Wyatt officials felt APPWP's brief, which included seven affidavits signed by pension executives, would be more effective because it represented the interests of employers.

Officials of Florida Power & Light Co., Miami, whose plan covers 15,000 employees, and United Telecommunications, Inc., Kansas City, Mo., whose plan covers 39,000 employees, were among those filing affidavits.

The APPWP brief contends the Florida Bar opinion should not be permitted because the Employee Retirement Income Security Act preempts all state laws regulating employee benefit plans. In addition, the new guidelines are not in the interest of employers.

"The cost of doing many functions that are done now by people not attorneys would go up a great deal because every time you did something, you would have to bring in an attorney," Mr. Raskin said.

Mr. Raskin and other actuaries said although many of the services they provide are done in conjunction with in-house legal professionals or attorneys they recommend, such current practices would not be allowed under the proposed guidelines.

"To say that only attorneys should be able to draft summary plan descriptions is going further than I expected," said Jan Alan Chorvat, principal at William M. Mercer Meidinger Hansen Inc., Tampa. Mercer Meidinger Hansen filed a brief in conjunction with TPF&C's Atlanta office, another firm with an extensive employee benefits practice. ■

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TAA growth slows

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bonds, 30% stocks and 15% cash.

Avatar had $1.8 billion in tactical asset allocation accounts, up 38.5% from the previous year. The firm has gained 10 clients during that period for a total of 104.

At The Boston Co. Inc., Boston, the current asset allocation also reflects a conservative approach to the stock market's performance, said Ed Peters, manager of asset allocation and structured investment products.

"The stock market has just hit an all-time high, and people are starting to get nervous," Mr. Peters said. Currently, the allocation of the overlay portfolio, one of the firm's four TAA investment styles, is 25% stocks, 33% bonds and 42% cash.

The firm reported $3 billion in TAA assets, up 42.9% from a year earlier. Its roster of clients grew to 38 from 25 during the period.

The current TAA allocation at Mellon Capital Management Corp., San Francisco, a 15-year veteran of TAA strategies, is more aggressive than that of some other firms, said Tom Loeb, president and chief executive officer. "We have tended to be more in equities than in bonds or cash this year," he said. Until recently, Mellon allocated 50% of its assets to equities and 50% to long-term bonds, but now has moved a small portion of its assets to cash.

Mellon Capital had $7.1 billion invested in TAA products, up 29% from a year earlier. Mellon increased its roster of TAA clients to 61 from 48 during this period.

Samson Wang, president of Beacon Capital Management, New York, does not share other managers' cautious approach. "I'm very bullish," he said. Beacon is fully invested in equities and has been since the presidential election. And what are Mr. Wang's expectations for the market? "New highs," he said.

Beacon had $1 billion under management in TAA strategies, a 25% increase from a year earlier.

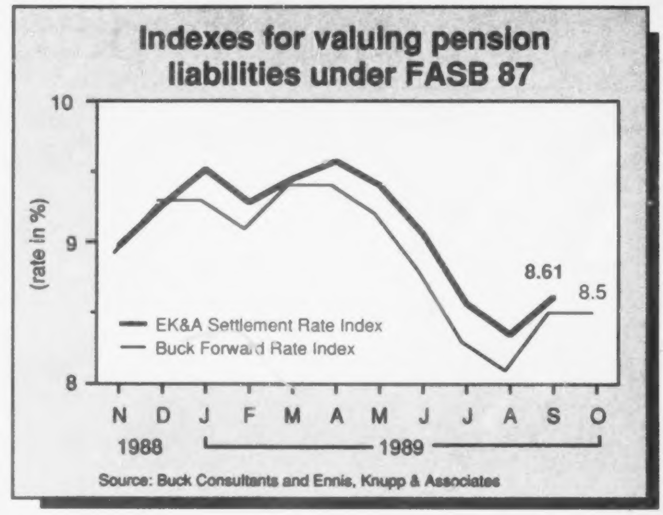
Despite its lack of exposure to the equity market, J.P. Morgan Investment Management Inc., New York, still reported the greatest growth among the managers surveyed, with a 272% increase in TAA assets to $2.148 billion. The roster of clients grew to 18 from 5.

Morgan's fixed-income product, referred to as its tactical duration model, reallocates among cash, bonds and notes and was overweighted in long-term bonds in time for the June rally, said Maxine Maly Stomber, an assistant vice president.

"That helped us a great deal, and obviously it hurt the cash people quite a bit," she said.

Prudential Diversified Investment Strategies, an affiliate of the Prudential Insurance Co. of America, Newark, N.J., had $7.2 billion in TAA strategies, an increase of 9.1% from the previous year. PDI lost six TAA clients in the past year, reporting a total of 75 this year.

First Quadrant Corp., Pasadena, Calif., had $4 billion in TAA accounts, up 122.2% from the previous year. The firm added six clients, bringing the total to seven. ■



Fund jumps

Continued from page 1

then about $12 billion, would be indexed, since studies had shown that 75% of the active equity managers couldn't beat indexed stocks.

She left before her system was completely installed, and the question of whether active stock investment could beat passive investment for such a large portfolio was left undecided.

With Basil Schwann selected as the acting chief investment officer, the staff and Wilshire Associates began planning the next moves. Wilshire consultants recommended the move to indexing, said Mr. Bowman, who was then the chief investment officer for the City & County of San Francisco Retirement System.

Given the changes in personnel and the current personnel makeup, indexing of the equity assets best complemented the pension fund's current thinking and resources, said Mr. Nesbitt.

"The prior strategy was a reflection of the prior chief investment officer, and with the change, I think this current strategy is something that better reflects this chief investment officer and (the strategy) will endure for quite some time," said Mr. Nesbitt.

Prior to Mr. Bowman's hiring, he was asked for his opinion on the planned move into indexing for domestic equity assets, and he endorsed the idea, he said. He pointed out the fund's equity investment is so large it already closely reflects the market, and a passive strategy helps keep the system's management cost low.

Late last year, the retirement board approved the move into indexing, and when Mr. Bowman became chief investment officer in February 1989, talks were held with nine of the largest brokerage houses in New York to discuss trading procedures that would keep costs down.

"The shift (to indexing) doesn't necessarily create a great deal of transaction costs," Mr. Nesbitt said. "This is a strategy change that is being implemented at a very reasonable cost."

No money is being moved away from the system's external equity managers, which are Atalanta/Sosnoff Capital Corp., New York; Batterymarch Financial Management, Boston; Chancellor Capital Management, New York; Dimensional Fund Advisors Inc., Santa Monica, Calif.; Brinson Partners Inc., Chicago (formerly First Chicago Investment Advisors); Lazard Freres Asset Management, New York; RCM Capital Management, San Francisco; Roll and Ross Asset Management Corp., Blue Bell, Pa.; and TSA Capital Management, Los Angeles.

The contracts of all nine managers are coming up for renewal, however, and the retirement system board could make a change based on different needs in active equity management because of the indexed assets.

Mr. Bowman would not say in what direction the pension fund might want to go with its active equity strategy. External equity managers won't manage more than about $1 billion each for the system, he said, because officials for the system doubt a manager can beat the market with too large a portfolio. The outside managers, he said, will play an important role in diversifying the system's domestic equity strategy.

In the future, said Mr. Bowman, the retirement system might want to add index funds tilted toward various sectors of the market. But for now, he said, the plan is to track the S&P 500 and the Wilshire 2500. ■

Big draw

Continued from page 2

terSec. Funding accelerated quarter by quarter, he said. "As far as we can see, during the third quarter, it's more of the same," he said.

The argument for international investing remains the same as ever — that its diversification effect will enhance long-term returns, he said. Public funds are doing much of the international manager hiring now because they previously had not gone into this asset class to the same degree as corporate funds, he added.

In both international and domestic stock and bond hirings, active strategies continued to outpace of index funds. But while "plain vanilla" indexing may have topped out, specialized indexed strategies are still attracting interest.

For instance, in the domestic stock area, Westridge Capital Management Inc., Los Angeles, attracted $88 million for an indexed account enhanced with futures and options for the $1.05 billion K mart Corp. defined benefit plan, Troy, Mich. Westridge replaced Stein Roe & Farnham Inc., Chicago, which discontinued this strategy.

Another $15 million went to a small-capitalization stock index fund managed by R. Meeder & Associates Inc., Dublin, Ohio, for the $282 million Ohio State University endowment fund, Columbus, which put a total of $65 million into index funds.

External management of GICs picked up steam with $555 million assigned to this area. Trust Advisory Group, Westport, Conn., landed the biggest account here when it was assigned as adviser to a $450 million GIC fund at Westport Bank & Trust Co. PRIMCO Capital Management Inc., Louisville, Ky., is subadviser on the account. PRIMCO, Bankers Trust Co. — Investment Management Group, New York, and IDS Trust, Minneapolis, won other managed GIC accounts in the quarter.

Two accounts that defy classification also constituted big asset moves in the quarter.

The $225 million Kansas City (Mo.) Public School Retirement System assigned Weiss, Peck & Greer, New York, $108 million on top of the $25 million the firm already ran in a balanced account for the system.

Asset classes for the new money were yet to be determined; the firm was chosen as the system's "master manager," with assignments to coordinate assets and liabilities and to have input on assets run by the fund's other investment managers.

Also, Milliken & Co., Spartanburg, S.C., assigned $300 million to T. Rowe Price Associates Inc., Baltimore, with asset classes undisclosed.

Other hirings reported in the quarter were $194.4 million for balanced accounts, $95 million for real estate and $10 million for venture capital. ■

Market repays

Continued from page 2

assets out of equities was the fourth quarter of 1987, the quarter in which the market crashed.

To reduce exposure in equities, there has been a net purchase of other types of investments, primarily real estate and foreign equities, according to Messrs. Stevens and Wolfe.

Figures from the SEI Funds Evaluation Services universe of 2,000 balanced accounts show those portfolios increased their equity commitments to 49.3% as of June 30, from the low of 46.5% as of Dec. 31, 1987. But this was still far below the peak of 53.9% June 30, 1987. "I think people are still uncomfortable with the equity market," said William Madden, senior vice president at SEI.

Among the pension funds that haven't increased their equity allocation since the crash is K mart Corp., Troy, Mich., with $1.5 billion in assets. William F. Camp, assistant investment manager, said K mart's managers pulled out of equities before the crash and have not done much in equities since. "That's hurt us," Mr. Camp said. K mart has a 55% equity allocation, vs. 51% in January, with the increase being due largely to the market's rise.

Discouraged with the equity market, some pension funds turned to fixed income. The SEI universe of balanced accounts show that on Sept. 30, 1987, bond allocation was 31.9%. By June 30, 1989, bonds comprised 36.5% of balanced accounts.

GTE Corp., Stamford, Conn., moved $1 billion to bonds, lowering its equity allocation from a high of 71% in September 1987 to 68% as of June 1989, said Richard Pegnataro, director-operations for the pension fund. "Our trend has been to lessen equity allocation since the stock market crash," he said.

But some consultants said they haven't seen a movement into bonds.

"We thought following the crash that there would be substantial reductions in equity allocations, but people have kept their same levels of allocation," said Roger Bransford, national director of asset consulting for TPF&C, Atlanta. "Most people understand that over time, it is wise to remain pretty heavily invested in equities."

Ronald A. Karp, president of Ronald A. Karp Associates, Summit, N.J., said the equity positions of his clients — between 45% and 60% — are not much different now than before or right after the crash. "With one minor exception, they didn't make a decision to increase or decrease, and they haven't done anything recently."

John R. Smith, manager of pension plan coordination for Procter & Gamble Co., Cincinnati, said the $170 million defined benefit fund's position hasn't changed dramatically since the crash.

The pension fund's equity exposure was lightened a little prior to the crash when some of the fund's money managers said they thought the market was overpriced, and they moved some money into cash, Mr. Smith said.

The equity position of the Procter & Gamble fund is around 55%. "We regarded the crash as an aberration, and we weren't panicked by it," he said.

Mr. Smith believes most fund managers stayed with their long-term strategies and did not reduce equity allocations. "I don't know of anyone jumping out," he said. "Anyone who has a plan is in there for the long term. I don't think they're going to run for cover." ■

European fund

Continued from page 3

pared with the typical 9-1 debt-equity ratio among U.S. deals, said Mr. Cohen.

Mr. Cohen said he is hoping for compound annual returns of 30% or more over the 10-year life of the fund — a target he considers realistic because "we have achieved that rate of return or better on buy-ins in existing venture funds." He would not reveal total performance figures of Patricof venture capital funds.

Of course, MMG Patricof's buy-in strategy could stumble if new management fails to revitalize companies — or if the local economies cool off. Fund officials "are planning as if there will be an economic downturn" in the United Kingdom, Mr. Cohen said. "People are saying it could happen within the next couple of years."

The fund's buy-in team includes three directors each in the London and Paris offices with backgrounds in strategic consulting, finance and general operations.

David Storrs, senior vice president of the Common Fund, said of the buy-in concept: "It's a solid investment strategy because the fund's goal is to build up, rather than break up, a company. A lot of (leveraged buy-outs) you see now try to cash out assets of a company, but we don't make any of those investments."

Another investor is PosTel Investment Management Ltd., London, the management company of the British Telecom and Post Office Pension Scheme. John Brakell, PosTel's manager of venture capital, said he was attracted to the buy-in fund's plans to bring in management. The Patricof fund is looking for underperforming companies where resources "are not being efficiently used," said Mr. Brakell. By bringing in its own managers — who will have "hands on experience for at least a year" before any replacements arrive — the Patricof fund should be better in control of its own deals than are some other buy-out funds, he said.

Paul Quirk, executive director of the Massachusetts PRIM fund, cited Patricof's "early" entrance into Europe's management buy-out arena. Pension funds entering the U.S. buy-out market at the beginning "made of lot of money," he said. ■

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PENSIONS & October 30, 1989

InvestmentAge

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Miners fighting for health plans

Management backs asset transfer

By Joel Chernoff

WASHINGTON — Coal-industry management and labor want to transfer millions of dollars in surplus assets from a United Mine Workers of America pension fund to bail out the union's cash-starved health plans for retired miners.

What's more, the labor-management coalition seeks to force employers to continue contributing to the health plans as long as a collective bargaining agreement remains in effect — an unusual requirement for a health plan.

Both the UMWA and the industry fear that if employers are able to quit the plans scot-free — as Pittston Co. is attempting to do — more companies will leave the plans, leaving an ever-shrinking pool to pay for millions of dollars in medical benefits covering some 132,000 retired miners.

If successful, Pittston "would have fundamentally dumped its pension and medical liabilities on the rest of the coal industry," said Joe Corcoran, a union spokesman. That action "could force other companies to take the same tack," he added.

"The 'last man's club' always is a concern," echoed Morris Feibusch, vice president of public affairs for the Bituminous Coal Operators' Association, Washington.

The crisis facing the health trusts is the latest confronting America's ability to pay for huge retiree health care liabilities, although this one includes some unique features going back to when John L. Lewis

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LET'S STAND UP AND FIGHT FOR THE UMWA
UNITED WE STAND DIVIDED WE FALL IF ITS LEFT UP TO PITTSTON WE'LL LOSE IT ALL
WHY NOT GO FOR THE BEST UMWA
STOP PITTSTON FROM SING OUR PEOPLE

Wide World Photos

Pittston Co.'s withdrawal from the coal industry bargaining group sparked a bitter strike and might start a chain reaction that conceivably could lead to bankrupt health plans for retired miners.

ROUNDTABLE

Evolving America

Executives scrutinize restructuring

By Marcia Parker

NEW YORK — The heavy dose of restructuring U.S. companies have swallowed — voluntarily and involuntarily — has cured some of corporate America's ills and created other maladies, a panel of senior corporate executives and a leading economist said.

But the jury is still out on whether wealth was created.

"It's all shuffling around on a big Monopoly board, and the question is, has wealth really been created?" said Charles McCurdy, an executive vice president of K-III Holdings Inc. K-III Holdings is a co-venture

Continued on page 63

Partnership generates interest

Alternative sources of electricity spark 5 pension investors

By Fred Williams

BOSTON — Five pension funds have invested in a unique limited partnership designed to generate electric energy from alternative fuels for sale to electric utility companies.

The ENERGY Investors Fund closed with $159.5 million in commitments from 17 institutional investors. The fund will invest in independent, non-utility, electric generating facilities using such exotic fuels as wood chips, solid waste, wind, hydropower, low sulphur coal and various types of cogeneration.

Five pension funds — GTE Service Corp., Stamford, Conn.; the Police & Fire Retirement System of the City of Detroit; John Hancock Mutual Life Insurance Co., Boston; the American Electric Power Co., Columbus, Ohio; and the New Hampshire Retirement System, Concord — joined with seven financial services firms and five utility-related companies as limited partners in the fund. The pension investors committed a total of about $45 million.

The fund is sponsored by subsidiaries of John Hancock; Energy National Inc., a wholly owned subsidiary of PacificCorp; KENETCH Corp., San Francisco; and HYDRA-CO Enterprises Inc., a wholly owned subsidiary of Niagara Mohawk Power Corp., Syracuse, N.Y.

GTE committed $15 million to the fund and the Detroit police and fire fund, $9.5 million. Joseph H. Shepard Jr., manager-system corporate benefit funds at American Electric Power Service, said the company's pension fund committed "less than $15 million."

"We see ENERGY Investors Fund as an opportunity for investors to get in on the ground floor of a rapidly emerging industry," said Jim Heath, president of ENERGY Investors Management, the limited partnership's management company. "The demand for electricity is expected to grow throughout the 1990s. We expect that utility companies will continue to purchase an increasing amount of power annually from independent power providers in order to meet the growing demand. The fund puts investors in a position to take advantage of that trend."

John Hancock officials an-

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LATE NEWS

Utah state pension chief resigns

SALT LAKE CITY — The executive director of the $3.2 Utah State Retirement System resigned and two assistants were replaced a week after an audit revealed mismanagement, nepotism, excessive salaries and underperformance of the fund's investments (*see audit story, page 20*).

Bert Hunsaker offered his resignation Oct. 23, just hours before the start of a a special retirement board meeting called by Gov. Norm Bangerter. The board also reassigned Deputy Director Vee J Sharp and hired a replacement for Personnel Director Jean Thomas, who has been on paid leave.

Dee Williams, who was in charge of publicizing the fund's benefit programs, has been named acting executive director.

Board picks 1990 proxy issues

SACRAMENTO, Calif. — The 1990 shareholder resolutions to be sponsored by the $25 billion California State Teachers' Retirement System will include proposals to set up shareholder advisory committees modeled after one that was proposed but never created at Texaco Inc. by the California Public Employees' Retirement System.

Other resolutions approved by the pension fund's board call for subjecting golden parachutes to a shareholder vote, setting sunset provisions on poison pills and asking companies to adopt confidential proxy voting.

Fund officials declined to identify the target companies because they haven't been contacted yet.

Fund seeks realty firm stake

CHICAGO — The $55 billion California Public Employees' Retirement System and Santa Fe Pacific Corp. have entered into final negotiations for the pension fund to purchase a 20% interest in Santa Fe Pacific Realty Corp.

The pension fund submitted a bid of about $400 million for a piece of the company that owns property in 13 states and is a developer in California, Arizona, Illinois and Texas.

A spokesman for Santa Fe said an agreement in principal has been reached, and a definitive agreement is expected "in a couple of weeks." The deal would close in late December.

Jim Smith, mortgage investment officer and head of real estate acquisition for the pension fund, said California Employees usually does not own more than 5% equity interest in any one company. "But this is a hybrid deal involving real estate and stock . . . It's not like buying 20% of General Motors," he said.

Riggs exec takes post at Merus

SAN FRANCISCO — Harold C. "Tim" Warner, onetime second in command of Bank of America's BA Investment Management Co., has been hired as president and chief investment officer of Bank of California's Merus Capital Management.

He replaces Anthony E. Spare, who quit abruptly in August along with three other key executives to form their own firm.

Based on his background, Mr. Warner could provide the initiative to make Merus a separate corporate unit of the bank, as Mr. Spare wanted, instead of a division as it was set up in 1986. Bank of California is owned by Mitsubishi Bank Ltd. of Japan.

"It's been indicated to me that that's a possibility if that's my inclination," Mr. Warner said of starting a separate unit.

Mr. Warner, who begins work Oct. 30, is leaving Riggs National Bank, Washington, which he joined in 1987 as executive vice president and chief trust officer. He set up Riggs Investment Management Corp. last year and was its chairman. His replacement at Riggs has not been named.

Houston Firemen taps Cisneros

HOUSTON — The $580 million Houston Firemen's Relief and Retirement Fund retained Cisneros Asset Management Co., San Antonio, to manage a $30 million discretionary fixed-income account, becoming the first client of the firm founded by former San Antonio Mayor Henry Cisneros.

Kemper gets tough on arbitrage

CHICAGO — Kemper Financial Services is looking for a few good brokerage houses.

"Good" to Kemper are those firms who will not engage in index arbitrage for their proprietary accounts. On Oct. 23, Kemper reportedly ceased relationships with four brokerage firms it said continued to do so: Bear, Stearns & Co. Inc., Kidder, Peabody & Co. Inc., Morgan Stanley & Co. Inc. and Oppenheimer & Co. Inc.

"We're seeking to do business with companies that share our philosophy," Kemper spokesman Martin Gawne said.

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Vol. 17, No. 23 — Pensions & Investment Age (ISSN 0273-5466) is published biweekly with a special edition in May by Crain Communications, Inc., 740 Rush St., Chicago, Ill. 60611-2590. Second class postage paid at Chicago, Ill. and at additional mailing offices. Postmaster: Send address changes to Pensions & Investment Age, Circulation Dept. 965 E. Jefferson, Detroit, Mich. 48207.

Airlines $2 billion short

PBGC says Eastern's unfunded liability is $1.1 billic

By Adam Lashinsky

WASHINGTON — Major airlines' pension plans are underfunded by about $2 billion, $1.1 billion of which is accounted for by Eastern Air Lines Inc., according to the head of the Pension Benefit Guaranty Corp.

The figure for Eastern represents a $350 million increase since March — when unions went on strike against the airline — in the PBGC's assessment of Eastern's unfunded liabilities, suggesting the plans' financial condition is worsening.

The remarks were made during testimony last week before a House Ways and Means Subcommittee on Oversight hearing on the effects of leveraged buy-outs on the airline industry. In his testimony, PBGC Executive Director James Lockhart warned leveraged buy-outs and other financial restructurings increase the potential risk to the agency.

While Mr. Lockhart presented one set of figures to the panel, Eastern's sister company, Continental Airlines Inc., reported this month in a Securities and Exchange Commission filing that Eastern's plans are underfunded by $380 million. Both companies are owned by Texas Air Corp.

The difference may be explained largely by varying interest assumptions used by the PBGC and Eastern. But information presented by both parties suggests a worsening situation for Eastern's plans.

Eastern contends it will not terminate its plans, an assertion the PBGC supports.

The PBGC has filed contingent claims in bankruptcy proceedings to cover the estimated $1.1 billion underfunding. David Gustafson, manager of the PBGC's actuarial policy division, said the government agency's revised assessment reflects lower interest rates and

"a change in other actuarial
sumptions resulting from ot
intervening events."

The major "intervening eve
industry experts agree, is the
creased likelihood Eastern wo
ers — particularly its pilots
will take early retirement.

Continental's discussion
Eastern's pension liabilities in
SEC filing is riddled with cave
It says the cost of satisfying
liabilities, "if it were assumed
pothetically that Eastern perm
ently ceased operations," wo
be $380 million, based on the p
chase of annuity contracts a
10% interest rate.

Sources said the $380 mill
represents the underfunding
the pension plans, not the act
cost of the annuities. Eastern o
cials did not respond to questic

The Continental filing also s
that if the PBGC were to ter
nate the plans, Eastern's obli
tions "could significantly exc

Continued on page

Indian Trust probe shows millions lost

By Hillary Durgin

Congress is investigating charges of mismanagement and fraud in the Bureau of Indian Affairs' handling of the $1.7 billion Indian Trust Fund that a federal audit shows resulted in $19.4 million in actual losses and $17 million that can't be accounted for.

Another audit — by Arthur Andersen & Co., New York — found unaccounted-for assets totaled about $19 million as of Sept. 30.

Last week, a subcommittee of the House Committee on Government Operations explored the deepening probe of the BIA's management of trust fund assets on behalf of more than 200 Indian tribes and 290,000 individuals.

> "Nobody's in charge overall . . . If there was a federal law against stupidity, there might be some prosecutions."
>
> James R. Richards
> Department of the Interior

In its audit issued Sept. 29, James R. Richards, inspector general for the Department of the Interior, which oversees the BIA, found that during a 15-year period, the BIA's investment division churned accounts, misplaced records and invested assets in fraudulent concerns and savings and loans that since have failed.

One issue the subcommittee was expected to focus on is whether to approve a contract awarded more than a year ago to Security Pacific National Bank, Los Angeles, to serve as investment adviser to the Indian trust funds. Transfer of the assets to the bank from the bureau's division of trust funds management was to begin Oct. 1, but terms of the contract haven't been formally approved by Congress.

Congress will have to decide whether the Bureau of Indian Affairs, which has fiduciary responsibility for the Indian trust funds, can delegate any of its authority to a third-party contractor. In addition, federal law requires the BIA to reconcile its accounts before money can be transferred.

"The threshold issue is whether or not the assets can be moved to Security Pacific at all," said Michael J. Barrett, first vice-president at Security Pacific. "We're trying to develop a program that will benefit the beneficiaries of this program, and we're caught in the crossfire."

Under the contract negotiated with the BIA, Security Pacific would assume responsibility for the investment advisory services, cash management, accounting and custodial services previously handled by the BIA. The bureau would continue to make investment decisions and be responsible for the accuracy of investment and related accounting data furnished to the financial institution.

One of the critical problems was the lack of central oversight. The assistant secretary for Indian affairs has been responsible for managing the trust funds through the Bureau of Indian Affairs. The bureau's division of trust funds management, located in Albuquerque, N.M., is responsible for investing all Indian trust fund assets. Seven people handled those investments.

"Nobody's in charge overall," said Mr. Richards. "You have three different offices who have parts of this, and there's no or little coordination. If there was a federal law against stupidity, there might be some prosecutions."

As part of the audit report, the inspector general has recommended authority for managing the investments be centralized. That is the "most important recommendation," he said.

In addition, the inspector general recommended a policy be developed to handle investment losses and to reimburse accounts. Since 1982, the audit report said, federal and independent reports have said the bureau's finance and accounting systems were not providing adequate accounting and other information to manage the trust investment program.

The bureau's policy has been to

Continued on page 66

Fiduciary obligations contested

By Curtis Vosti

**NEW YORK — A federa
district court has ruled a
insurer that provided a
immediate participatio
guarantee contract to
pension plan was not a fiduciary under the ERISA.**

**The ruling is being calle
the most significant decision on an insurance company's fiduciary obligation
since the Employee Retirement Income Security Ac
was passed in 1974.**

**Judge Robert P. Patterso
Jr. ruled ERISA fiduciar
obligations do not apply t
John Hancock Mutual Lif
Insurance Co., Boston, in it
handling of a trust accoun
for Sperry Corp. retiree
because the insurance contract fell under the excep
tions to ERISA's fiduciar
guidelines.**

**A spokesman for Hancoc
declined to comment on th
case. Attorneys for th
plaintiff — Harris Trust
Savings Bank, Chicago
trustee for the plan — ha
indicated they will appeal.**

**The suit alleges breach
of contract, breaches of fiduciary duty, professio
malpractice, unjust enric
ment and assorted ERIS
violations against Hancoc**

**In the suit, Harr
charged Hancock shou
have returned proceeds
an immediate participati
guarantee contract to
trust in 1981 or 1982 so
trust could reinvest th
assets for the benefit of
plan participants. Hanc
did return $53 million
1988, but Harris argues t
the amount is less than
was due, and that if r
turned in 1981, the proce
could have doubled thro
investments.**

**"This is a case that u
mately will be decided
the court of appeals," s
Richard Kill, of the N**

Continued on pag

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Firm drops strategy

Bernstein-Macaulay ends tie to Brignoli

By Barry B. Burr

NEW YORK — Bernstein-Macaulay Inc. dropped its licensing agreement with Brignoli Models Inc. to market a quantitative equity strategy, ending its attempt to manage equities.

The move also marked the fall of the Brignoli Models strategy, known as volatility capture, which was once licensed by three money management firms and, at its peak, attracted more than $1.2 billion from some of the largest corporate pension funds. In less than five years from its inception, the model became one of the most successful equity approaches.

Bernstein-Macaulay's withdrawal, however, marks the las firm known to be managing asset under the strategy. The decline o the model appears less attribute to performance, which pensior executives described as from gooc to below average, than to lawsuit involving Richard Brignoli anc his business relationships.

Robert G. Moore, chief executive officer of Bernstein-Macaulay, said the firm ended the licensing agreement because of it failure to attract more than onc pension fund investor. The quantitative approach was developec by Mr. Brignoli, principal of Brignoli Models.

Bernstein-Macaulay, primaril a fixed-income manager, hac $742 million in tax-exempt asset under management from eight cli ents as of Jan. 1.

Mr. Moore said its sole volatility capture client, a pension fun he wouldn't name, withdrew it portfolio in the last month, precipitating the decision to drop th licensing agreement. He declinec to give the reason for the termination, or the amount of assets i had invested in the strategy. H also declined to discuss whethe his firm would offer any new equity strategy.

Mr. Moore said Bernstein-Macaulay's marketing effort has bee harmed by the lawsuits includin one Mr. Brignoli lost that resulted i the U.S. District Court-supervisec dissolution of Brignoli, Curley & Roberts Associates, the principal licensee of the Brignoli Models volatility capture strategy. Bernstein Macaulay couldn't overcome concern by prospective clients about a association with Mr. Brignoli, h added, even though the soundnes or propriety of the strategy itsel hasn't been an issue in any of th litigation.

Messrs. Brignoli and Morri didn't return phone calls for comment. No information was available on whether Brignoli Model would seek new licensees for th strategy.

CORRECTIONS & CLARIFICATIONS

• The total tax-exempt real estate assets and tax-exempt equit real estate holdings of **Metric Institutional Realty Advisor** were incorrectly listed a char ranking real estate firms in th Oct. 2 issue. The correct figure should have been $239 million i total tax-exempt real estate asset and $193 million in tax-exemp equity real estate assets. The correct figures would have placed th firm 62nd in the rankings.

The new figures also change th totals given for all firms in th survey's universe. The 108 firm responding had $113.576 billio in total tax-exempt real estat assets, of which $90.305 billio was in equity real estate.

• **The RREEF Funds** wa omitted inadvertently from table listing management firm with foreign clients in the Oct. directory of real estate manager RREEF manages $398 million fo non-U.S. clients.

• The name of **Marvin Green** practice leader for qualified plar at TPF&C, was misspelled in story in the Oct. 16 employee benefits section.

• The 1989 data in the Oct. 1 page 1 chart listing the Top 20 institutional holders of **ADR** should have carried a March dat

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Lending business a hand

Large funds providing boost to in-state loan programs

By Trudy Ring

Few public pension funds participate in loans to business, but those few include some of the nation's largest.

The $40.3 billion New York State & Local Retirement Systems, Albany, committed $100 million to in-state business lending early in 1988. Of this, $25 million has been taken down by the New York Business Development Corp., with the rest to follow by the end of 1993, contingent on fund officials' continued satisfaction with the program.

Last summer, the $6.1 billion New York City Police Department Retirement System followed with a commitment of $50 million to a loan program.

Both programs involve loans guaranteed by the Small Business Administration; a few other public funds have invested in SBA-guaranteed loans through the years.

Officers at many large state and city funds, however, said they never really have considered business lending. "It's not on our allowable list (of investments), so we don't do it," said Tom Taneyhill, deputy administrator of the $1.5 billion Baltimore City Retirement Systems.

Thomas Zdrowdowski, executive secretary of the $1.7 billion City of Detroit General Retirement System, said his board has been approached about business loans from time to time, but the deals weren't investment grade.

Officials of the New York state funds took pains to ensure their program met investment standards, spokeswoman Claudia Hutton said.

"We wanted all sorts of safeguards," she said. "We didn't mind the idea, but we wanted our money protected."

At least half of the money lent for the system by the business development group must be guaranteed by the SBA or other government agency, with the rest collateralized by mortgages or secured by letters of credit. The rate of interest to be paid to the fund is slightly higher than that of comparable U.S. Treasury securities; the business development corporation can charge borrowers a further premium to cover its expenses.

The program was not legislatively mandated; Comptroller Edward V. Regan, sole trustee of the retirement systems, undertook it voluntarily. "It's a way for us to help funnel money out into small business," Ms. Hutton said.

The money can go only to companies that have a majority of employees or fixed assets in New York or that will use the money exclusively for expansion into the state.

The New York City program buys loans on the secondary market, rather than making money directly available to borrowers, said Jon Lukomnik, press secretary to Comptroller Harrison J. Goldin. It's a way to encourage banks to make business loans, Mr. Lukomnik said.

"We are infusing liquidity into the market," he said. "Having that liquidity available makes banks more secure in writing these loans."

The police fund hired Wheat, First, Butcher & Singer Capital Markets, Philadelphia, as a pooling agent to build a portfolio of the SBA-guaranteed portion of loans available in New York City.

Four New York lenders — Chase Manhattan Bank, Chemical Bank, Freedom National Bank and the Business Loan Center — have agreed to make loans connected with the program. The first loans likely will be made soon, Mr. Lukomnik said. The interest rate will be an increment above the prime rate, he said.

The fund undertook the program without a legislative man-

Continued on page 16

Photo by John Kennard

The New York City police fund invested $50 million in a program to offer loans for businesses within the state.

Alabama chief innovating despite barriers and critics

By Curtis Vosti

MONTGOMERY, Ala. — Dave Bronner, chief executive officer of the $8 billion Retirement Systems of Alabama, likes to say he's trying to drag Alabama into the 20th century.

But as the 21st century nears, the system stands out — under Mr. Bronner's "kicking a wet dog" analysis — as an innovative public fund that has prospered despite opposition from business and political leaders — entanglements that can make the most activist of public funds quake.

"We try to be innovative in a place that doesn't want to be innovative," he said.

Unlike other public funds that invest in-state solely by buying stocks of companies based there, Mr. Bronner's approach involves direct investments in in-state projects.

David Bronner is a strong believer of investing in Alabama projects.

"My attitude is, the stronger the economy of Alabama, the stronger the retirement system will be," he said.

Among those investments are $100 million toward a $650 million construction of the Alabama Pine Pulp Co., to be paid back at 12% over 22 years; chemical plants in Mobile; an airplane factory in Foley; a pipe mill at the USX Corp. works in Birmingham; a Wal-Mart Distribution Center in Cullman; targeted home financing programs throughout the state; and state office buildings and parking lots in Montgomery.

Mr. Bronner also tried to buy a Montgomery television station for $70 million, but the deal collapsed in August because it wasn't completed within a specified time frame.

The television issue galvanized business opposition against him, opposition that has been seething since the system announced it was going to build a state office building in Montgomery.

Earlier this year, members of the Business Council of Alabama met to express their unhappiness with Mr. Bronner. They pointed to the state constitution, which seems to prohibit a state agency from competing with private enterprise.

One critic is Aaron Aronov, a council member and a Montgomery real estate developer. Mr. Aronov leases office space to state agencies that presumably will go to the retirement system building when it is

Continued on page 18

Overseas asset flow continues

Investment tempo still moving strong

By Margaret Price

Public pension funds have placed more money into international investments during the past year, but they still trail their corporate counterparts in terms of total assets invested overseas.

After a slow start in the early 1980s, the perceived diversification and risk-reward benefits of foreign investing have established overseas securities as a separate asset class.

According to data from InterSec Research Corp., Stamford, Conn., public funds had committed $15.5 billion to international and global investments as of June 30, up from about $12 billion at year-end 1988 and about $6 billion at year-end 1987. By the end of 1989, InterSec projects that public funds will commit a total of $18 billion to $20 billion to international/global mandates.

In contrast, corporate pension funds had $52.2 billion committed to international/global investments as of June 30, up from $48.1 billion at year-end 1988 and $44.3 billion at year-end 1987.

"Public funds have been significantly more active in the past year in new funding, and the amount of international assets in their allocation policies is approaching that of the corporate sector," said Duncan Fordyce, senior vice president at InterSec.

Public funds are now adopting "the basic argument for international diversification that corporations accepted years ago," he said.

Leading public pension plans invested overseas
($ millions)

	Total	Equities	Fixed income
California Public Employees	2,800	1,800	1,000
Colorado Public Employees	1,100	1,100	—
Oregon Public Employes	1,100	1,100	—
Los Angeles County	950	950	—
Connecticut Trust Funds	900	700	200
Arizona State	750	750	—
Hawaii Employees	716	593	123
San Francisco City & County	566	256	310
Wisconsin Investment Board	550	350	200
Illinois Municipal	513	408	105

Norman Benedict, deputy executive director of investments at the $9.1 billion Public Employees Retirement Association of Colorado, Denver, said: "On average, in U.S. currency, the S&P 500 Stock Index trailed (the Morgan Stanley Capital International Europe Australia Far East Index) by 400 basis points over the last 14 years. That helps build a good case" for foreign investing.

The Colorado fund, which made its first international investment in January 1988, had invested its intended allocation of about $926 million by September of that year. The total is now about $1.1 billion because of market appreciation.

"We felt this was a cost-effective way of investing," said Mr. Benedict. "Commission costs are lower if you trade in large blocks of stock."

Mr. Benedict estimated the Colorado fund saved between 15 cents and 25 cents a share in commission costs because of the volume of foreign stock purchased last year.

Larger state funds have tended to lead the way abroad. Consultants say the trailblazers were the Oregon Public Employes Retirement System and the Employees' Retirement System of the State of Hawaii. Some of the early international investors were particularly attuned to opportunities in the Pacific Basin. This sensitivity often paid off handsomely, consultants said.

The move into overseas investing was not easy for all investors in the public sector. Some public funds "had to change their asset allocations, others needed to change regulations and still others needed to change laws," recalls Allan Emkin, managing director of Pension Consulting Alliance, Glendale, Calif.

Other considerations included the higher costs of investing overseas because of such factors as costlier trading commissions, management fees and and custodial charges, said Mr. Emkin.

And, similar to their corporate counterparts, public funds had to bone up on international invest-

Continued on page 26

Foreign

Continued from page 15

ing.

Before pursuing foreign investments in 1986, officials of the City & County of San Francisco Employees Retirement System needed to educate themselves on the process and related issues, said Clare Murphy, the fund's general manager.

The San Francisco system, with almost $3.8 billion in total assets, has about $566 million in international assets, of which about $256 is stocks $310 million is fixed income.

International investing had been recommended in a 1984 asset allocation study. "But it wasn't a step-by-step, smooth, steady stream from (that recommendation) until the money was committed in 1986," said Ms. Murphy. "We needed to understand the risks that were and still are part of foreign markets," she said.

The education process included staff and consultant's reports and attendance at various programs and conferences. "Education (on foreign investing) was in the process of blooming throughout the U.S. in late 1983, and in '84 and '85," said Ms. Murphy.

The approximately $8 billion State of Connecticut Trust Funds, Hartford, commissioned a feasibility study on international equities before it began investing abroad in January 1988, with an initial $50 million allocation.

The feasibility study, completed near the end of 1987, basically reviewed the expected effects on the fund of international investing.

The fund presented the results of the study to [illegible] 12-person Investment Advisory [illegible]uncil, which advises the state treasurer on investment matters; the council ultimately approved the foreign investing idea.

"By telling the Investment Advisory Council and members of the Legislature that this is the way we were going, we avoided a lot of problems," said Frank P. McDermott, assistant treasurer for investments.

As of late October, the fund was expected to have invested about $900 million in foreign securities — $700 million in stocks and $200 million in bonds.

"Most public pension plans, and Connecticut's is no exception, have relatively high cash inflows relative to total assets," said Mr. McDermott, partly explaining why many public funds have the money to invest abroad these days. "We are playing catch-up in funding pension benefits because we started this (funding) later than (many) corporate plans."

While legal barriers were not a problem for the San Francisco and Connecticut pension systems, a number of funds — although their ranks are shrinking — still face such obstacles.

The $7.6 billion Arizona State Retirement System, Phoenix, wasn't able to make its first international investment — a $400 million allocation in January 1987 — until the legal list of acceptable investments was repealed in November 1986.

The legal list was replaced by the prudent man rule, but the new guidelines placed a 10% cap on alternative investments, which included international securities and equity real estate.

"We don't want that 10% clause," said Doug Lemon, the fund's investment director. "We're not dying to do equity real estate anyway," he said, but fund officials would like to raise foreign investments to between 15% and 20% of the fund's assets from the current 10% ceiling.

The 10% limitation applies t such investments as American depository receipts and stocks "tha have a foreign component i them" as well as to internationa money managers' allocations.

Last year, a provision eliminating the 10% cap was attached ont a state economic developmen bill, but lawmakers reinstated th limitation before the developmen bill passed. "The pension system will again try to get someone t sponsor a bill" next year to remove the limit on foreign investing, Mr. Lemon said.

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Insider

Continued from page 24

whom they are supposedly so different.

Whether the selection criteria is based on private market value, capitalized dividends, relative price-earnings ratios or other factors, there ought to be a clearly stated investment policy that guides the investment manager. This policy should be articulated in a statement that is consistent between the management firm's marketing and analytical departments, and which is easily understood, discussed and repeated by lay trustees. Given several alternative proposals, all with great historical returns, we are most comfortable with the manager who can rationally explain how those returns were achieved.

This problem of muddy methodology is compounded when marketing staff people, rather than portfolio managers, attempt to explain it. In some cases, it was doubtful whether the marketing staff and portfolio management staff communicated at all.

• **Helpful friends.** Helpful friends as a deadly sin? Unfortunately, yes. Money managers should gain a much more healthy skepticism of people who seek to promote their interests.

Like flies to the barn in summer, retail stockbrokers seek to affiliate with pension managers so the manager can claim some sort of local connection. This trend is disconcerting on several counts. First, it apparently presumes the trustees would be influenced by address rather than competence. Second, the relationship between the local broker and the money manager is transparent — there is no net gain to the local economy. No analysts or support staff are going to move here because a local broker made a sale. Third, trustees are uncomfortable with any quid pro quo between manager and broker. The manager's responsibility ought to be to get the best executions in a competitive market. The appearance of a presumed payback to a local broker is at odds with this responsibility.

A better way?

Managers who win a competition usually are satisfied with the fairness and rationality of the process. The other 99% are convinced "there must be a better way." Perhaps the same is true of elections. But Plato's ideal in which the "men of gold" perpetuate their rule is not, for better or worse, characteristic of public pension fund management.

Today's "men of gold" will be replaced by those who not only manage money well, but who also successfully communicate their capabilities to trustees and avoid committing the deadly sins that eliminate them from consideration. ▪

Mr. Reeves is chairman of the investment committee for the Wyoming Retirement System, Cheyenne.